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REPORT  
of the  
ROYAL ONTARIO  
MINING COMMISSION  
1944





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## TABLE OF CONTENTS

- Part 1:—** Text of Commission  
Letter of Transmission  
Introductory  
  
“THE NECESSITY FOR AND METHODS  
OF STIMULATING PROSPECTING IN  
ONTARIO”
- Part II:—** REGULATIONS GOVERNING THE FINAN-  
CING OF MINING DEVELOPMENTS
- Part III:—** MINING TAXATION
- Part IV:—** THE FINANCING OF MINING MUNICI-  
PALITIES
- Part V:—** NORTHERN ONTARIO EDUCATIONAL  
POLICIES
- Part VI:—** HEALTH MEASURES IN THE MINING  
INDUSTRY
- Part VII:—** THE PLACE OF MINING IN POST WAR  
EMPLOYMENT
- Part VIII:—** HIGH-GRADING IN ONTARIO MINES  
  
PROPOSED CHANGES IN THE EXTRADI-  
TION TREATY BETWEEN THE UNITED  
STATES AND CANADA  
  
ONTARIO SUCCESSION DUTY  
  
PRODUCTION OF COBALT ORES AND  
CONCENTRATES IN ONTARIO





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ONTARIO

**REPORT**  
of the  
**ROYAL ONTARIO  
MINING COMMISSION**  
**1944**

**PART I — VIII**

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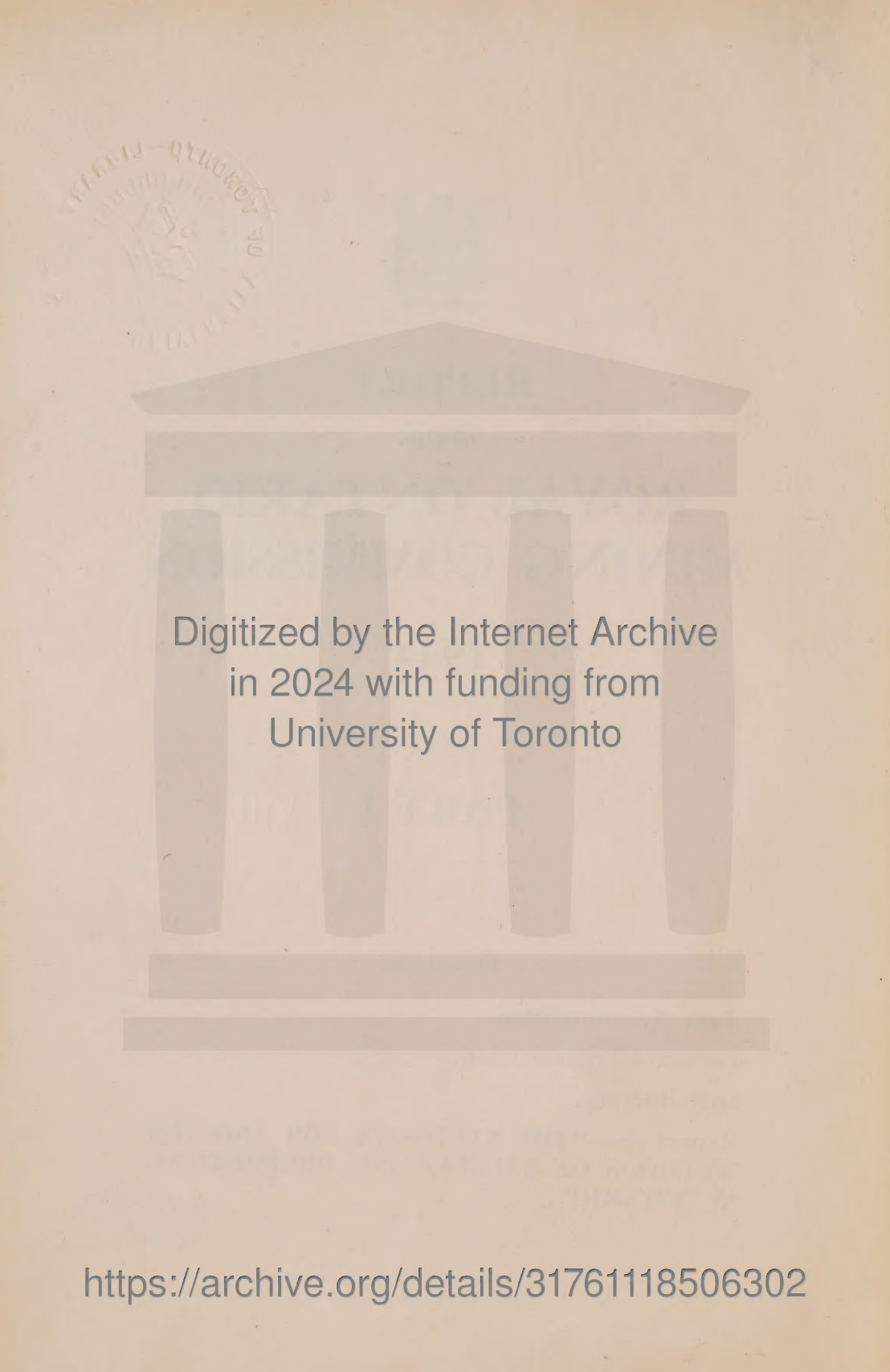
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Introductory.

Report on—"THE NECESSITY FOR AND THE  
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# PART I

## TABLE OF CONTENTS

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	PAGE
<b>Text of the Commission, 27th October, 1943.....</b>	iii
<b>Letter of Transmission.....</b>	v
<b>Introductory.....</b>	1
<b>Importance of the Mining Industry in the Economic Life of the Province of Ontario.....</b>	1
Mining Second Only to Agriculture.....	1
Mineral Production Progress.....	1
Tabulation, Province of Ontario Mineral Production, 1907-1943	1
Importance of Metal Production.....	2
Progress of Gold Mining.....	2
Tabulation, Ontario Gold Mines Production, Employment, etc., 1907-1943.....	2
Progress in Nickel-Copper Industry.....	3
Tabulation, Ontario Nickel-Copper Mine Production, Employ- ment, etc., 1907-1943.....	3
Effect of National Disturbances on Base Metal Operations....	3
Tabulation of Production Ontario Nickel-Copper Industry showing Tonnage Shipped with Production Value, 1887-1943	4
Mining Industry Co-operates with Federal Government to Meet War Emergencies.....	4
Ontario Leads all Provinces in Mineral Production.....	4
Direct Employment and Wages Paid by the Metal Mining Industry.....	5
Expenditures for Process and Other Supplies.....	5
Indirect Employment.....	5
Taxes Paid by Ontario Metal Mining Industry.....	5
Dividends Paid to End of 1942.....	5
Benefits Derived by Transportation Systems.....	6
Establishment of New Communities.....	6
Mining Industry Dependent Upon Exhaustible Resources....	6
Industry Facing Crisis.....	6
Full Time Minister of Mines.....	7

# TABLE OF CONTENTS—*Continued*

	PAGE
Report on—"The Necessity for and the Methods of Stimulating Prospecting in Ontario".....	9
<b>Recommendations:</b>	
Ontario Securities Act.....	9
Allowance for Outside Exploration.....	9
Geological Surveys.....	9
Research in Prospecting Methods.....	10
Resident Geologists.....	11
Classes for Prospectors.....	11
Notice of Tax Arrears, and Increased Acreage Tax.....	12
Forfeiture of Patented Claims.....	12
Strategic Minerals.....	13
Customs Mills.....	13
Resurvey of Townships.....	13
Land Grants.....	13
Severance of Mineral Rights.....	14
Roads.....	14
Cost of Patent.....	15
Inspection of Claim Staking.....	16
Inspection of Assessment Work.....	16
Concessions.....	16
Allowance for Geophysical Surveys.....	16
Allowance for Use of Mechanical Equipment.....	17
Recording Assessment Work.....	18
Change License of Occupation to Renewable Lease with Provision for Patent.....	18
Publicizing Mining Industry.....	19
Tax on Natural Gas.....	19
<b>Decline of Prospecting.....</b>	<b>20</b>
<b>Rapid Depletion of Known Ore Reserves.....</b>	<b>21</b>
<b>Current Canadian Metal Production Largely from Early Discoveries.....</b>	<b>21</b>
<b>Conclusion.....</b>	<b>22</b>





## PROVINCE OF ONTARIO

**GEORGE THE SIXTH** By the Grace of God of Great Britain, Ireland and the British Dominions beyond the Seas, **KING**, Defender of the Faith, Emperor of India.

TO

"LESLIE M. FROST"  
*Minister of Mines*

**NORMAN C. URQUHART, KENNETH C. GRAY, J. ROY GORDON, ROBERT J. JOWSEY, HOMER W. SUTCLIFFE, H. CHIPMAN McCLOSKEY, CHARLES G. WILLIAMS and J. HENRY JESSUP.**

**GREETING:**

**WHEREAS** in and by Chapter 19 of The Revised Statutes of Ontario, 1937, entitled "The Public Inquiries Act", it is enacted that whenever the Lieutenant-Governor in Council deems it expedient to cause inquiry to be made concerning any matter connected with or affecting the good government of Ontario, or the conduct of any part of the public business thereof, or of the administration of justice therein, and such inquiry is not regulated by any special law, he may by Commission appoint a person or persons to conduct such inquiry, and may confer the power of summoning any person and requiring him to give evidence on oath, and to produce such documents and things as the Commissioners deem requisite for the full investigation of the matters into which they are appointed to examine;

**AND WHEREAS** Our Lieutenant-Governor in Council of Our Province of Ontario deems it expedient to cause inquiry to be made concerning the matters hereinafter mentioned;

**NOW KNOW YE** that **WE**, having and reposing full trust and confidence in you the said **Norman C. Urquhart, Kenneth C. Gray, J. Roy Gordon, Robert J. Jowsey, Homer W. Sutcliffe, H. Chipman McCloskey, Charles G. Williams, and J. Henry Jessup**, **DO HEREBY APPOINT** you to be Commissioners to inquire into:

- (a) The necessity for and the methods of stimulating prospecting in Ontario;

- (b) Regulations governing the financing of mining developments;
- (c) The financing of mining municipalities;
- (d) The place of mining in post war employment;
- (e) Mining taxation;
- (f) Health measures in the mining industry; and
- (g) Northern Ontario educational policies;

for the purpose of making recommendations which would stimulate the mining industry in Ontario and generally to make such other recommendations as would appear to be in the best interests of the people of the Province of Ontario.

**AND WE DO HEREBY CONFER** on you Our said Commissioners the power to summon any person or corporation and require them to give evidence on oath and to produce such documents and things as you Our said Commissioners deem requisite for the full investigation of the matters into which you are appointed to examine, by subpoena signed by the Chairman or any one of the Commissioners hereby appointed;

**AND WE HEREBY APPOINT** you the said **Norman C. Urquhart** to be Chairman of the said Commission;

**AND WE HEREBY APPOINT** **Douglas A. Mutch** to be Secretary to the said Commission.

**TO HAVE, HOLD** and **ENJOY** the said Office and Authority of Commissioners for and during the pleasure of Our Lieutenant-Governor in Council for Our Province of Ontario.

**IN TESTIMONY WHEREOF** We have caused these Our Letters to be made Patent, and the **GREAT SEAL** of Our Province of Ontario to be hereunto affixed.

**WITNESS: THE HONOURABLE ALBERT MATTHEWS,**  
**LIEUTENANT-GOVERNOR OF THE PROVINCE OF ONTARIO.**

At Our City of Toronto in Our said Province, this twenty-seventh day of October in the year of Our Lord one thousand nine hundred and forty-three and in the seventh year of Our Reign.

**BY COMMAND**

“F. V. Johns”  
ASSISTANT PROVINCIAL SECRETARY.



(Letter of Transmission)

**To The Honourable ALBERT MATTHEWS, L.L.D.,  
Lieutenant-Governor of the Province of Ontario.**

The Commissioners appointed to enquire into and report on matters pertaining to the mining industry in Ontario, as is more particularly and fully set out in the Commission issued to the undersigned under the Great Seal of the Province on the 27th day of October, 1943, and to make recommendations for the purpose of stimulating the industry, have the honour to submit their report.

During the course of the enquiry all persons, organizations, etc., interested in the proceedings of the Commission were invited through advertisement in the press, letter and other media, to present written submissions to the Commissioners which would assist them in determining facts on which conclusions could be based. A considerable quantity of such material was received and is presented separately as a "Supplement" to this Report.

In its endeavour to obtain all facts pertinent to the enquiry the Commission held widely advertised public hearings in the City of Toronto, and the Northern Ontario mining municipalities of Timmins, Kirkland Lake, Haileybury, Geraldton and Sudbury. Those attending such hearings were given the fullest opportunity to present facts and opinions which they considered might be helpful in attaining the objectives of the enquiry. Accompanying this Report is a "Supplement" containing the transcript of all evidence presented at these public hearings.

During the course of its enquiry, and at the request of the Premier of Ontario, the Commissioners were asked to submit preliminary reports with recommendations on the following subjects: (1) The Necessity for and the Methods of Stimulating Prospecting in Ontario, (2) Regulations Governing the Financing of Mining Developments, (3) Mining Taxation, (4) Educational Policies in so far as they affected the Haileybury High and Technical School. These reports have been amplified and included in this Report.

The Report concerns itself primarily with discussion and conclusions reached in respect of the enquiry by the Commissioners into facts indicating that the progress of the development of mineral resources in the Province of Ontario is being retarded by preventible conditions which, if permitted to continue, would seriously jeopardize the future of the mining industry. The object of the Commission has been to determine the nature of these conditions and to make certain recommendations for their correction.

Closely related to the progress of the mining industry is the problem of the establishment, supervision and financing of mining municipalities which provide essential services to the industry. The problems of such

municipalities cannot be divorced from those of the industry. The Commissioners visited and inspected several of such mining municipalities in Ontario, discussed their needs and received submissions covering all phases of municipal organization, services rendered and financial requirements. A considerable portion of the Report is devoted to this broad and important subject.

The Report begins with a brief Introductory dealing with the importance of the mining industry in the economic life of the Province of Ontario and the Dominion. This is followed by discussion of the matters referred to the Commission, with recommendations, based upon conclusions reached by the Commissioners, in the following order:—

- (1) The necessity for and the methods of stimulating prospecting in Ontario.
- (2) Regulations governing the financing of mining developments.
- (3) Mining taxation.
- (4) The financing of mining municipalities.
- (5) Northern Ontario educational policies.
- (6) Health measures in the mining industry.
- (7) The place of mining in post war employment.
- (8) High grading in Ontario mines.
- (9) Proposed changes in Extradition Treaty between the United States and Canada.
- (10) Ontario Succession Duty.
- (11) Production of cobalt ores and concentrates in Ontario.

The Report is herewith respectfully submitted for your Honour's consideration.

**Signed on behalf of the following Commissioners:**

Norman C. Urquhart, Chairman  
C. G. Williams, Vice-Chairman  
K. C. Gray  
J. R. Gordon  
R. J. Jowsey  
H. W. Sutcliffe  
H. C. McCloskey  
J. H. Jessup

**Royal Ontario Mining Commission**

Norman C. Urquhart, Chairman.  
Douglas A. Mutch, Secretary.

Toronto, September 6th, 1944

# INTRODUCTORY

## IMPORTANCE OF THE MINING INDUSTRY IN THE ECONOMIC LIFE OF THE PROVINCE OF ONTARIO

**Mining second only to agriculture**      The mining industry in Ontario holds a position of outstanding importance in the economic life of the Province and indeed in the Dominion. It ranks second only to agriculture among the primary industries of the Province in respect of value of annual production.

The greatest stimulation in the development of mineral resources in Ontario followed the discovery of silver in the Cobalt area in 1903 and the subsequent discovery, in 1909, of the gold deposits of the Porcupine area.

**Mineral production progress**      In common with all primary industry the progress of mining has been adversely affected by disturbances in the national economic life, such as those caused by the world war of 1914-1918, and the immediately following years of rehabilitation; the period of world wide depression in the early 30's, and the emergencies of the present war. Despite these retarding influences the industry has expanded in a manner far beyond the most sanguine early expectations. In this expansion it has been demonstrated, that given adequate governmental and public support, the industry can not only maintain its present importance but can confidently proceed on the path to greater achievement.

The following tabulation is presented to illustrate what has been accomplished in respect of production through the development of mineral resources in Ontario since 1904. Attention is directed to the outstanding advance made in the production of metals which comprise by far the greater portion of production value from all mineral sources.

### PROVINCE OF ONTARIO MINERAL PRODUCTION

(From Records Ontario Department of Mines)

Year	Total All Metallics \$	Non- Metallics \$	Structural Materials \$	Clay Products \$	Total \$
	(2)		(1)		
Before 1907....	66,135,765	.....	96,455,322	.....	162,591,087
1907....	14,550,835	3,020,537	3,876,275	3,571,726	25,019,373
1912....	34,799,734	4,009,643	4,701,170	4,831,056	48,341,603
1917....	56,831,857	7,702,942	4,962,284	2,596,749	72,093,832
1922....	40,498,778	7,591,913	13,640,166	6,944,218	68,675,075
1927....	62,631,255	7,638,605	14,160,552	5,853,035	90,283,447
1932....	70,131,174	7,361,897	7,295,917	1,690,505	86,479,493
1937....	204,843,193	10,055,177	13,241,244	2,033,845	230,173,459
1939....	209,531,338	11,470,739	10,705,629	2,341,617	234,049,323
1940....	234,227,235	12,514,093	13,950,607	2,513,884	263,205,819
1941....	238,915,012	12,349,030	15,463,605	3,087,616	269,815,263
1942....	232,640,178	12,406,382	13,767,041	2,549,487	261,363,088
Estimated 1943....	206,928,202	11,343,755	11,633,281	2,167,651	232,072,889

(1) Includes non-metallics subsequent to 1891—no record prior to that year.

(2) Includes Exchange equalization or discount 1920-1943 inclusive.



### Importance of metal production

The above tabulation shows that of the total annual Ontario mineral production 85% to 90% derives from metal mines. Attention is naturally directed to that branch of the mining industry as distinguished from production of non-metallic minerals, structural materials and clay products. Of the total metal production value over 95% derives from two main metal producing groups, i.e., the gold mines and those producing nickel, copper, and associated metals. In 1942 these two groups of metal mines had a combined production of \$227,804,074 or 97.7% of the total Ontario metal production of \$232,640,178. In 1943 comparative figures were \$200,915,402 or 97.1% of a total \$206,928,202.

### Progress of gold mining

The following tabulation illustrates the progress in production, employment, wages paid annually and annual cost of process supplies, including fuel and electricity, for the Ontario gold mining industry during the period 1907-1943 inclusive. Five year intervals are shown to the end of 1937 with one year intervals from 1939 to 1943 inclusive. Figures for the latter years are given to indicate the effect of the war on the industry.

## ONTARIO GOLD MINES PRODUCTION, EMPLOYMENT AND COST OF PROCESS SUPPLIES, ETC.—1907-1943 Inclusive

(From Records Ontario Department of Mines)

Year	Tons Ore Milled	Production \$	Number Wage Earners	Wages Paid \$	Process Supplies, Fuel and Electricity \$
1907	13,107	66,560	138	115,207	Not Available
1912	156,122	1,187,987	955	1,023,097	Prior to 1937
1917	1,230,321	8,757,758	2,561	3,220,097	
1922	2,268,736	20,856,913	3,919	5,285,521	
1927	4,286,553	33,733,087	5,963	9,520,937	
1932	5,497,076	53,066,616	8,460	13,509,649	
1937	8,426,898	88,094,219	14,783	24,939,665	13,378,904
1939	10,723,129	109,595,837	18,241	31,641,437	17,453,707
1940	11,768,273	122,618,046	18,611	32,670,051	18,768,942
1941	12,225,234	120,623,258	19,362	35,956,340	19,218,110
1942	10,225,234	104,213,415	15,561	30,893,523	15,934,981
Est. 1943	8,102,805	79,338,952	11,263	22,602,482	Not available

**Note:**—Between the years 1932 and 1937, the price of gold was increased to \$35.00 an ounce U.S., which accounts for the sharp increase shown in gold production in 1937 over that reported five years previously in 1932.

It will be noted from the above table that gold mine production reached an all time high in 1940. This followed the request of the Dominion Government for increased production for the purpose of providing exchange to facilitate purchase of war materials from the United States. Later, the requirements for gold for this purpose were greatly reduced following reciprocal arrangements between Canada and the United States as a war time emergency measure.

Gold mine production declined sharply after 1940 with value of same in 1943 reduced to \$79,338,952 including exchange, the lowest since 1935, representing a decrease of \$43,279,094 from the peak production year.

### Progress in nickel-copper industry

Production in the nickel-copper industry commenced in 1887 from the deposits of the Sudbury District. Early history of the industry is fully covered in the Report of The Ontario Nickel Commission, 1917.

The following tabulations present a brief summary illustrating the production progress to the end of 1943, and attention is directed to the figures showing the exceptional increase in production during the past decade. It will be noted, that while productive life of the industry covers a period of 57 years, some 70% of total production was made during the period 1934 to 1943 inclusive. The result of the demand for increased production to meet war needs is shown by the figures for the 1939-1943 period, during which 47.68% of total ore shipped since the start of operations and 40.8% of total production value was reported. This data clearly illustrates the enormous tonnages of ore being withdrawn from exhaustible resources to meet the demands for war purposes.

### ONTARIO NICKEL-COPPER MINE PRODUCTION, EMPLOYMENT AND COST OF PROCESS SUPPLIES, ETC.—1907-1943 Inclusive

(From Records Ontario Department of Mines)

Year	Tons Ore Shipped	Total Production Value \$	Number Wage Earners	Wages Paid \$	Process Supplies, Fuel and Electricity \$
1907	351,916	3,291,355	1,660	1,278,644	Data Not Available Prior to 1937
1912	737,726	6,531,073	2,859	2,361,290	
1917	1,506,828	28,786,390	3,356	5,570,587	
1922	259,569	9,911,250	1,497	2,015,559	
1927	1,305,917	21,594,078	3,418	4,919,445	
1932	790,614	14,235,145	2,569	3,706,482	19,796,346 19,513,751 22,198,680 24,214,306 27,099,917 29,796,638
1937	6,318,907	113,794,920	11,198	18,684,936	
1939	7,850,636	96,913,739	11,153	19,372,749	
1940	8,361,532	106,987,295	11,387	19,945,580	
1941	9,974,272	114,132,830	11,790	22,438,513	
1942	12,078,145	123,590,659	12,994	25,171,893	
1943	12,882,824	121,576,450	13,400	26,781,415	

### Effect of national disturbances on base metal operations

The above tabulation strikingly demonstrates the effect of national economic disturbances on the nickel-copper industry in Ontario. Five year intervals are shown from 1907 to 1937 with one year intervals from 1939 to the end of 1943. Attention is directed to the low production, employment,

wages paid and purchases of process supplies, etc., at the beginning of the period as compared with 1943, and to the years 1917, 1922 and 1932, as illustrative of the effect of abnormal economic conditions. In the latter are seen the respective influences of the first great war, the post-war rehabilitation period, and the period of depression in the early 30's. The detail given for the years 1939 to 1943 inclusive shows clearly the effect of the present war on operations.

# SUMMARY OF PRODUCTION ONTARIO NICKEL-COPPER INDUSTRY

showing

## AGGREGATE TONNAGE SHIPPED WITH PRODUCTION VALUE 1887-1943 Inclusive

also

## PERCENTAGE OF AGGREGATE PRODUCTION DURING PERIODS 1934-1943 Inclusive and 1939-1943 Inclusive

(From Records Ontario Dept. of Mines)

Year	Ore Shipped Tons	% Grand Total	Total Value All Products \$	% Grand Total
Grand Total				
1887-1943 Inclusive.....	107,272,902	100.00	1,377,977,341	100.00
Total 1934-1943 Inc.....	74,965,038	69.88	976,712,126	70.88
Total 1939-1943 Inc.....	51,147,409	47.68	563,200,973	40.87

### Mining industry co-operates with Federal Government to meet war emergencies

At this point it might be noted that the mining industry of Ontario, and of the whole Dominion, appears to have co-operated to the fullest with the Federal Government in the matter of meeting the war demands for gold, base metals and strategic minerals, first by a requested increased gold production followed by a demanded decrease, second by greatly increased base metal production, and third, by exerting every effort to further the production of strategic minerals.

Production policies were quickly adjusted to conform with Federal Government requirements and, in these adjustments, it is indicated that a very considerable sacrifice has been made by the industry, not only in respect of immediate profit but also in the jeopardizing of future operations.

### Ontario leads all Provinces in mineral production

The Province of Ontario has maintained its long established leadership, over all other provinces in the Dominion, in the development of and production from mineral resources.

In 1942 total value of Canadian mineral production was \$566,768,672 of which Ontario contributed \$261,363,088 or 46.1%. Still more striking is Ontario's contribution to the total Canadian metal production. In 1942 this total was \$392,192,452 of which \$232,640,178, or 59.3% derived from Ontario metal mines.

In 1943 partly estimated total value of Canadian mineral production was \$523,940,810 of which Ontario accounted for \$232,072,889 or 44.3% while of the total Canadian metal production value of \$356,783,418 an estimated \$206,928,202 or 57.7% was produced by the mines of this Province. To the end of 1943 value of production from Ontario mineral resources totalled \$4,244,425,892 of which \$3,389,359,416 derived from metal mines. Of the latter total, gold mine production accounted for \$1,466,857,215 while the nickel-copper mines contributed \$1,377,977,341.



**Direct employment and wages paid by the metal mining industry**

31,152 wage earners received \$58,394,853. With salaried employees added the totals were 33,546 and \$65,557,322. Employment in the mining industry is not seasonal but is continuous throughout the year.

**Expenditures for process and other supplies**

Data covering purchase of supplies, including fuel and electricity, by gold and nickel-copper mines, for the period 1907-1942 are incomplete. The importance of the combined purchases is however illustrated by the totals for recent years as follows:

1939 . . . .	\$37,267,458	1941 . . . .	\$43,432,416
1940 . . . .	\$40,967,622	1942 . . . .	\$43,034,898

**Indirect employment**

In a report by the Committee on Reconstruction, appointed by the Dominion Government in 1943, reference is made to indirect employment stemming from the mining industry. Based upon estimates made by the U.S. Bureau of Mines in 1932, it was indicated that for every person directly employed in the industry 12½ persons were indirectly employed in the providing of supplies, equipment, transportation, etc.

In the same report reference is made to a study by the Salt Lake Chamber of Commerce in which it was "indicated that more than 10 men were employed indirectly to serve one miner and his family and that 4 more were needed on the farms to feed those dependent on his earnings".

These reports indicate that between 12 and 14 persons are indirectly employed for each person directly engaged in mining. From this it would appear that with a direct employment of over 33,000 persons in Ontario metal mines, as in 1941, a further 450,000 approximately, or more than 11% of the population of Ontario, are normally dependent on the metal mining industry for their livelihood.

**Taxes paid by Ontario metal mining industry**

A survey of taxation on the metal mining industry in Ontario, made for the Ontario Mining Association, shows that during the period of 1907-1942 inclusive, the metal mines of Ontario paid taxes to Dominion, Provincial and Municipal taxing authorities totalling \$214,974,977 of which \$48,538,959 were levied by the Province, with \$163,306,885 collected by the Dominion and \$3,129,133 levied by municipalities.

**Dividends paid to end of 1942**

The records of the Department of Mines show dividends paid by the Ontario metal mining industry, to the end of 1942, totalling \$809,926,028. On these dividends income taxes paid to the Federal Government are estimated at \$35,180,757.

**Benefits  
derived by  
transportation  
systems**

The evidence before this Commission indicates that transportation systems have benefited greatly from Ontario metal mining. Reliable figures covering railway freight revenues attributable to the industry are not readily available for any extended period. However, the Temiskaming & Northern Ontario Railway reports, that in the period 1936-1941 inclusive, such revenue totalled \$32,061,347. This was derived from freight, in and out, to the Porcupine and Swastika to Noranda areas only. It would be reasonable to assume that freight revenue to railways from all mining areas, during the period 1907-1941, was at least \$100,000,000.

**Establishment  
of new  
communities**

The Ontario metal mining industry has been responsible for the establishment of new, prosperous communities, non-existent a few years ago, which, according to the 1941 Dominion census, had a combined population of 138,110. Of this total it is estimated that at least 125,000, or 90%, are directly dependent upon metal mining.

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**Mining industry  
dependable upon  
exhaustible  
resources**

The purpose in presenting the above data is two-fold. First to illustrate the importance of the mining industry in the economic life of Ontario, and second, by so doing, to indicate the loss which would be sustained were production from mineral resources to be eliminated or materially reduced through failure to develop new resources for mineral production to replace those being so rapidly exhausted.

Differing from all other primary industries mining depends for its existence on definitely exhaustible resources of raw materials. When these are gone mining must cease.

Prospecting for and development of new mineral resources must always continue at a rate which assures the maintenance of a continuous supply of developed resources sufficient to maintain production at whatever rate the latter may be established. To assure uninterrupted production this supply should be several years in excess of immediate production requirements. Any increase in production rate, involving exhaustion of mineral resources at an accelerated pace, necessitates correspondingly increased prospecting activity. Provided such activity is not maintained or increased to meet the demands of production for raw materials, the industry must languish and eventually die.

**Industry  
facing  
crisis**

A study of the history of metal mining in Ontario has convinced the Commissioners, that during the past 15 years, basic activity and interest in the essential development of new mineral resources has dwindled to such an extent that the industry is facing a crisis. Known reserves of exhaustible mineral resources have been depleted at an unprecedented rate with little being done to correct this serious condition. The study has indicated also, that under conditions of governmental encouragement,

prior to the enactment of legislation which burdens the industry with unsupportable taxation, and prior to restrictive measures in respect of financing new mining development, the industry made its greatest progress and confidently looked forward to an era of expansion which would dwarf all previous effort and redound to the national welfare. Unfortunately these expectations have not been realized nor would their fulfillment appear possible unless a prompt appreciation is had by governments of the true situation.

The evidence submitted to this Commission clearly demonstrates the fact, that mining production records established in recent years are no criterion on which to base conclusions in respect of the extent of basic mining activity during such years. The evidence rather, supports the conclusion that established production must always be the result of prospecting and exploration activities of former years. The time lag, averaging at least five years, between the discovery of a deposit of mineral and its bringing into production, is often overlooked, as is the fact that the average profitably productive life of a precious metal mine in Ontario has been determined at less than eight years.

**Full time  
Minister of  
Mines** Mining ranks second only to agriculture among the primary industries in its economic importance to the people of this Province. It is the unanimous opinion of this Commission that the requirements of the industry demand a full time Minister of Mines who shall hold no other Government portfolio, and who shall have a full understanding of the industry. It is of paramount importance that the closest governmental contact be maintained at all times with the industry through a responsible Minister who will formulate the policies and direct the activities of the Department of Mines, in order that the industry be advanced to the position justified by the abundant mineral resources within the Province.

In the opinion of this Commission the need for a full time properly qualified Minister of Mines in this Province was never greater than at the present time.

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The Commission presents conclusions reached and submits recommendations which, if made fully effective, it believes will do much to correct the more important of the retarding influences which so seriously threaten the future of the mining industry,—will materially better the position of those municipalities dependent upon the industry,—will generally be advantageous to the people of Northern Ontario, and, in turn, to the Province as a whole.





**REPORT**  
**on**  
**THE NECESSITY FOR AND THE METHODS OF**  
**STIMULATING PROSPECTING IN ONTARIO**

**Recommendations:**

1. That the Ontario Securities Act and Regulations be repealed and a new Act substituted, with administrative authority, etc., as covered in detail in Part II of this Report on "Regulations governing the financing of mining developments". Ontario  
Securities  
Act.

The information before the Commission indicates that restrictive legislation, as exemplified by the Securities Act of Ontario and its administration, has definitely been an important factor in the decline of prospecting activity. The recommendations to correct this condition are covered under Part II of this Report dealing with the subject of "Regulations Governing the Financing of Mining Developments".

2. That the Dominion authorities be requested to treat all expenditures on outside exploration by mining companies in any part of Canada (other than capital outlay, such as purchase of property and cost of options) as an operating expense to be deductible in calculating taxes payable to the Dominion under any of its taxing statutes. (Note:—Outside exploration shall be deemed to include surface exploration of all kinds, diamond drilling and prospect shaft sinking.) Allowance  
for Outside  
Exploration.

In 1943 the Dominion Government partially but inadequately recognized the need for encouraging prospecting by the enactment of Bill No. 72 (1943), as an amendment to the Dominion Income War Tax Act. This Bill provides some relief in the matter of allowable deductions from income of those persons or organizations which make expenditures on prospecting for base and strategic minerals. The Bill fails however to take cognizance of the added incentive for prospecting which would result were all expenditures made by mining organizations, in the search for and development of mineral resources, considered as a charge against operations and allowed as a deductible item before assessment under any of the Dominion taxing statutes.

3. That the work of the Geological Surveys be augmented at as early a date as possible: That provision be made for prompt release of reports: That Geological  
Surveys.

consideration be given by both the Provincial and Federal Governments to making provision for geophysical and other similar surveys in areas which are not amenable to ordinary geological surveys. In respect of aerial surveys consideration should be given to the employment of R.C.A.F. personnel in post-war years and the use of suitable planes and equipment which are now or will be available.

The Federal and Provincial Governments have done excellent work in the past in promoting prospecting activity through the essential services of geological, aerial, and reconnaissance surveys and mapping. The evidence before this Commission indicates that such services should be very materially and promptly augmented, as soon as conditions permit, and that preliminary reports and maps should be prepared and made available to the prospector not later than the commencement of the prospecting season immediately following that during which the surveys have been completed.

Normally the Ontario Department of Mines places six or seven geological survey parties, averaging four men to a party, in the field each year. The Commissioners feel that to meet the immediate need of the industry the number of such parties should be increased to at least fifteen, in order that the search for mineral resources may be more speedily and intelligently prosecuted. To be effective, the augmenting of geological surveys to the suggested extent must be accompanied by a corresponding increase in the permanent staff of the Geological Surveys Branch of the Department of Mines and in the necessary equipment.

This Commission has examined many different suggestions in respect of the manner in which geological survey maps should be prepared. It believes that this detail can be safely left in the hands of the Department responsible for same.

It would appear that considerable delay is often occasioned in the issuing of preliminary reports and maps through the practice of employing geologists, during the summer months, who have other regular employment, with the result that the preparation of reports and maps during the winter months becomes of secondary importance. It is the opinion of this Commission that a condition of such employment should be the preparation and release of preliminary reports within a specified time limit.



**improved techniques in prospecting, including geophysical methods for practical application.**

It must now be recognized that the finding of ore deposits is becoming increasingly difficult; most of the ore bodies which were exposed to even a casual examination at surface have naturally already been found. To disclose the hidden bodies, which are confidently believed to exist, will require the development of improved methods of prospecting.

**5. That provision be made for the appointment of geologists with duties defined by the Department of Mines, in each of those mineral areas where, at the discretion of the Department, valuable services could be rendered which would promote sound prospecting activity.**

Resident Geologists.

Duties of such geologists should include the holding of prospectors classes in which simple geological instruction could be given and rock and mineral spotting would be practised.

The appointment of a resident geologist in mining areas for the purpose of mapping local geology and for the immediate benefit of the prospector, and for the purpose of more intelligent exploration of such areas, has proved beneficial and has met with general approval.

Included in the duties of such geologist should be the gathering and recording of all available data in respect of exploration, by diamond drilling or otherwise, which may be done in the area to which he is assigned. In the past, expenditures for exploration amounting to hundreds of thousands of dollars have been made by persons or organizations on properties which were later abandoned. The information obtained through such expenditure has in large part been lost or destroyed. Such information should be recorded permanently, wherever possible, and made available to any subsequent owner of such property.

**6. That classes for prospectors conducted by the Department of Mines in mining areas be continued, and that provision be made for more intensive education of prospectors through the re-establishment of classes for same, similar to those conducted by the Department of Mines in The University of Toronto a few years ago, or as conducted at Queen's University in the current year, and that training include the more advanced prospecting technique. Such classes should**

Classes for Prospectors.

also instruct in the importance of industrial minerals, give training in the recognition of ores of same and in the relationship of such minerals to geological structures. It is quite possible that provision might be made for such classes in the now to be opened technical institute at Haileybury.

Classes for the education of prospectors have proved very beneficial in the past. This Commission feels that more intensive and continued education would be very helpful in the stimulating of prospecting and the development of new mineral resources.

Notice of  
Tax Arrears,  
and  
Increased  
Acreage Tax.

7. That provision be made under the Mining Tax Act for annual notification by mail to holders of patented mining claims, other than acreage held for development of natural gas or oil production in South-Western Ontario, of acreage tax owing and, to provide for the expense of such notice, as well as to discourage the holding of idle patented claims, the acreage tax be increased from the present rate of 5 cents per acre annually to 10 cents per acre

Under the present Mining Tax Act of Ontario no provision is made for annual notification to holders of patented mining claims of acreage tax due. Taxes in arrears for two years or more are published in the Ontario Gazette and in one newspaper in the area in which claims are held. Such notices may not be observed by the claim owner and evidence indicates that, due to this condition, claims have been unintentionally forfeited and loss sustained by the claim holder.

Forfeiture  
of Patented  
Claims.

8. That in addition to the above mentioned increased acreage tax, provision be made for quick public sale or forfeiture to the Crown of patented claims on which taxes are in arrears for a period of two years, subject to appeal to the Mining Court of Ontario within one year from date of such sale or forfeiture.

In many mineral areas patented claims are held for years with no work done to determine their possibilities other than that required to obtain patent. In this manner potentially productive ground may never be properly explored or developed. It is believed that increased acreage tax, plus provision for quick public sale or forfeiture to the Crown of patented claims on which taxes are in arrears for a period of two years, would reduce the unexplored acreage held in mineral areas making the forfeited holdings available for active prospecting.

9. That Governments should especially encourage the exploration for and development of strategic minerals, including the industrial minerals, by geological and technical investigation and reports, with the latter being made available as promptly as possible, and that a study be made of the possibilities in connection with the establishment of Government owned and supervised concentrators or mills in mineral areas where there is evidence that beneficiation by concentration of low grade ores, now unsuitable for commercial use, would result in establishing new production with its attendant benefits. Possibilities for such mills in mineral areas in which they would be helpful to prospecting and in the more rapid development of such areas should also be given consideration.

Strategic  
Minerals.

Customs  
Mills.

The emergency of the present war has demonstrated that production of so-called industrial or strategic minerals could assume highly important proportions in the Canadian mineral industry. It is believed that in some mineral areas the erection of a customs mill or concentrator, financed and supervised by the Government, would be helpful to prospecting and in the more rapid development of such areas, and could result in new production with its attendant benefits. In connection with this consideration might be given to the position of owners of fluorspar deposits in the Madoc area, Ontario.

10. That the necessary funds be provided annually to The Department of Mines for the purpose of resurveying subdivided or other townships in mineral areas where deemed advisable by the Department.

Resurvey of  
Townships.

In many subdivided and other townships in mineral areas, the original survey lines have been obliterated resulting in confusion and litigation in the matter of staking and recording claims. This condition also severely handicaps proper geological surveys and the mapping of same by the Department of Mines.

The recommendation for the establishment of an annual fund, to be used at the discretion of the Department of Mines, for the purpose of resurveying such townships, is made in order that assurance will be had that such fund will be employed primarily for the correction of the condition directly affecting the interests of that Department and the mining industry.

11. That in making future grants of land such grants be exclusive of mineral rights.

Land  
Grants.

This Commission believes that, in the past, the making of grants of land including mineral rights in Northern



Ontario has, in general, worked to the disadvantage of the prospector and the mining industry.

Severance  
of Mineral  
Rights.

**12. That the Registry and Land Titles Acts be amended with provision made requiring local registrars and masters of titles to notify the mine assessor when severance of mineral rights is effected.**

The Mining Tax Act of Ontario provides for the taxation of mineral rights where the severance of mineral rights and surface rights has been effected, but no machinery has been provided for notifying the Department of Mines when such severance takes place.

In Northern and Southern Ontario under the Land Titles Act and Registry Act, provision is made respectively for the registration of titles with the Local Master of Titles or the Registrar of Deeds. The evidence indicates that the Local Masters of Titles and Registrars have not been obliged to notify the Department of Mines when severance of mineral rights is effected. The result is that this Department has no record of titles upon which to assess such properties for acreage tax. In addition, there does not appear to be any record in the Department of Mines from which it can be determined whether provisions of the Mining Act are being complied with by those who acquire such mineral rights by severance. It is believed that large areas are being held tax free and, in some instances, contrary to the provisions of the Mining Act and that such ground is idle but unavailable to those who would explore and develop same.

It is believed that were acreage tax levied against all lands, (exclusive of those held in south-western Ontario for the development of natural gas or oil) where severance of mineral rights has taken place, and the provisions of the Mining Act made effective, many thousands of idle acres would be made available for prospecting. It is stated that search of past records to determine title would involve months or years but such search would appear to be worthy of consideration.

Roads.

**13. That consideration be given to the building of roads in or to mineral areas where, in the opinion of The Department of Mines, it is believed that such roads would serve to stimulate prospecting and development of new mineral resources or materially lower costs of operations in presently productive mineral areas.**

Examples of such proposed roads which should be given consideration include the following:

- (a) **Kenora to Red Lake—approximately 116 miles.**
- (b) **Larder Lake to Englehart—approximately 25 miles.**
- (c) **Timmins to Wawaitin Falls—approximately 15 miles.**
- (d) **Timmins southwest approximately 50 miles, or possibly to connect with Sudbury, a total of approximately 100 miles.**
- (e) **From Gold Rock Settlement on Upper Manitou Lake to connect with the Trans-Canada Highway—approximately 18 miles to the north.**

From a study of presentations received this Commission concludes that there is a real need for the building of roads in or to mineral areas in various parts of Ontario. These roads would not only tend to stimulate prospecting by making readily accessible such mineral areas but would encourage the prospector and the producer through reduction in costs of operations.

The whole problem of road building in or to mining areas should be carefully studied in all its phases by the Department of Mines.

**14. That the cost of land to applicant for patent in unsurveyed territory and for broken lots in surveyed townships, where a survey has not been included in the work filed for assessment requirements, be reduced to \$1.50 per acre to compensate for cost of survey.** Cost of Patent.

Under the Mining Act of Ontario patent to mining claims is issued at a cost of \$3.00 per acre in surveyed territory and \$2.50 per acre in unsurveyed territory. In unsurveyed territory, and where demanded by the Department of Mines in surveyed territory, a survey has to be made at the expense of the applicant before patent is granted. The Mining Act permits the applicant for patent in unsurveyed territory to count the survey of a mining claim as the equivalent of one year's assessment work, after the first year's requirements. It is indicated, however, that in some cases the requirements for assessment work have been completed without a survey having been made, and in such cases, it is the opinion of this Commission, that following the completion of the survey, the cost of patent should be reduced to \$1.50 per acre to compensate for cost of survey.

Inspection of  
Claim  
Staking.

**15. That provision be made under The Mining Act of Ontario for adequate and rigid inspection of claim staking and for appropriate penalties when claims are staked contrary to the provisions of the Act.**

Study by this Commission indicates that the practices of fraudulent staking and blanketing of claims have developed to a serious degree and are detrimental to the activities of the bona-fide prospector.

(Note: For the purpose of this Report, a bona-fide prospector is considered to be a person who engages in exploring for valuable minerals, or in testing supposed discoveries of same). (Ref. "A Glossary of Mining and Mineral Industry": H. A. Fay).

Inspection  
of Assess-  
ment Work.

**16. That adequate provision be made under the Mining Act for rigid inspection of assessment work where deemed advisable and that appropriate penalties be provided where requirements are not fulfilled.**

Representations made to and information obtained by the Commissioners would indicate that the provisions for recording assessment work under the Mining Act of Ontario have been prostituted by fraudulent practices.

Concessions.

**17. That no prospecting concessions be granted in mineral areas.**

An underlying principle of the well designed Mining Act of Ontario is that potential mineral areas should be divided into small groups of staked claims.

Provisions of the Mining Act permit the Lieutenant-Governor-in-Council to vary the regulations and to grant concessions for prospecting or exploration of large tracts in mineral areas. This could lead to blanketing such areas in a wholesale manner and, in the majority of cases, but a small portion of the concessions would be properly prospected. The granting of such concessions, resulting in the withdrawal of large areas from staking and prospecting activity, would further reduce the extent of the already diminishing areas favourable to intensive prospecting, and would not only tend to defeat plans for stimulating prospecting but could result in substantially reducing employment which would otherwise be provided. As a corollary there might be uneconomical delay in bringing mineral areas into production.

Allowance  
for Geo-  
physical  
Surveys.

**18. That an amendment be made to Section 78, Subsection 11, of The Ontario Mining Act to provide for the following:—**



(a) That actual cost of any geophysical or similar survey of a mining claim under any method approved by the Ontario Department of Mines may be counted as work at the rate of \$5.00 a day, but in no case shall more than 100 days work be so counted on any one mining claim.

(b) Upon receipt of a report of such work, in the form prescribed by Sub-section 4, the recorder shall enter the same upon the record of the claim and shall subsequently cancel such entry unless satisfactory evidence of the actual amount so expended, together with plans and results of such survey, are submitted to and approved by the Minister or the Deputy Minister within 60 days of the date of such entry. Any such plans and results shall be made available to any subsequent owner of the claim.

Geophysical and other scientific methods of prospecting will probably play a much greater part in exploration of mineral resources in the future. In recording assessment work under present regulations of the Mining Act it is permissible to count surveys by geophysical methods as work at the rate of one days work for each man necessarily employed in such work. This does not appear to be adequate.

19. That an amendment be made to Section 78 of the Mining Act by adding thereto the following sub-sections: Allowance for Use of Mechanical Equipment.

(13a) The actual cost of stripping by power-driven mechanical equipment shall count as work at the rate of \$5.00 per day, but in no case shall more than 100 days work be so counted on any one mining claim.

(13b) Upon receipt of a report of such work, in the form prescribed by Subsection 4, the recorder shall enter the same upon the record of the claim and shall subsequently cancel such entry unless satisfactory evidence of the actual amount so expended has been submitted to and approved by the Minister or the Deputy Minister within 30 days of the date of such entry.

The provisions of the Ontario Mining Act do not make proper allowance for assessment work done by means of power driven mechanical equipment, such as tractor, bulldozer, power scraper, power operated shovel, etc. The use of such equipment for the uncovering of mineral deposits, which do not outcrop at surface, will of necessity increase substantially and should be encouraged.

20. That Section 78, Subsection (a), of The Mining Act of Ontario be amended to read, "First period of at least 30 days not later than 12 months immediately following the recording of the claim which shall constitute the work required for the first year after date of recording".

That Section 79, Subsection (b)—be eliminated.

Under Section 78, subsection "a", of the Mining Act of Ontario, dealing with assessment work, the holder of a mining claim is required to perform at least thirty days work on such claim not later than four months immediately following the recording of the claim. This work constitutes that required for the first year after date of recording.

Under Section 79, subsection "b", dealing with computation of time within which work upon a mining claim is required to be performed, the period between the 16th day of November and the 15th day of April, inclusive, is excluded.

It appears to this Commission that these somewhat contradictory regulations serve no useful purpose in their present form but rather tend to penalize the prospector who records a claim in the early part of the prospecting season in that he is required to complete his first year's assessment work in too brief a period of time as compared with the prospector who may record his claim at some later date.

21. That Section 52, S.S. 3, of The Mining Act be amended to make provision for the granting of a renewable lease, similar to that now granted under section 47, and on the same terms, on lands covered by water with reservations in such lease to protect navigable waters, water power development, fishing rights, tailings disposal and sand and gravel removals, and that provision be made for changing the renewable lease to a patent when application has been made to and approved by the Minister of Mines, with the cost of such patent to be reduced by an amount dependent upon the total rentals paid under the renewable lease at the discretion of the Minister of Mines.

Under Section 52, s.s. 3, of the Mining Act the prospector who stakes claims covered by water is prohibited from obtaining a patent to such claims but must hold same under a "license of occupation". Under this license title is held "during the pleasure of the Crown, subject to the payment to the Treasurer of the Province of Ontario yearly and every year so long as the license

shall remain in force" of certain sums "free from all deductions whatsoever" on certain dates "provided that on default of one month in any payment of aforesaid sums this license shall be void and that this license shall be cancelled and revoked at any time", by the Minister of Mines or his successor in office.

It is believed that the insecurity of title evidenced by the requirements under a License of Occupation operates to the disadvantage of the prospector and that such lands should be held under a renewable lease, with provision made for changing to a patent when the issuing of same would not jeopardize the public interest.

**22. That the Ontario Government draw well considered plans for the sound publicizing at home and abroad of the mining possibilities of the Province and inform the people in a readily understandable manner of the benefits accruing to the whole Province through the mining industry.**

Publicizing  
Mining  
Industry.

This Commission is of the opinion that a comparatively small percentage of the people of Ontario have any clear conception of the importance of the mining industry in the economic life of the Province, nor are they aware of the possibilities for the development of new mineral resources. It is indicated that this lack of knowledge also prevails throughout the Dominion. Were the people to be informed of the benefits derived from the mining industry, and of the future possibilities for the development of mineral resources, much would be accomplished towards creating public interest in prospecting activity thus facilitating the essential financing of same.

**23. That at the discretion of the Department of Mines, provision be made for repeal of or amendment to Part II, Section 2, of the Mining Tax Act of Ontario, in order that the tax of 2 cents per m.c.f. on natural gas production be removed from those producers located in the area lying south and west of a line drawn from Collingwood on Georgian Bay to Kingston on Lake Ontario and any other similar areas in the Province which may be designated by the Lieutenant-Governor-in-Council.**

Tax on  
Natural Gas.

Following a study of presentations made to this Commission it is believed that serious consideration should be given to the position of the producers of natural gas in south-western Ontario.

From information available it would appear that the tax of two cents per m.c.f. on natural gas production



was imposed chiefly for the purpose of discouraging exports rather than as a revenue measure. It would appear that gas fields in south-western Ontario are being rapidly depleted and that production has fallen off for this reason, with the result that the demand of the domestic and industrial consumer is now in excess of the available supply. It would appear also that this condition may become more aggravated in the future unless further supplies of natural gas can be found.

The records show that few, if any, natural gas producers are operating at any appreciable profit. This Commission is of the opinion that the difficulties of operation should be alleviated. It is believed that the removal of the above-mentioned tax on production would encourage prospecting for and development of new producers.

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**Decline of prospecting**

The Commissioners are convinced that if mining in Ontario is to continue on a worthwhile scale prospecting for new mineral resources must be stimulated to a far greater extent than is now possible under existing conditions in respect of tax levies and governmental restriction.

The following excerpts are taken from a brief prepared for submission to the Dominion Minister of Mines and Resources and the Minister of Finance, by the Canadian Institute of Mining and Metallurgy and made available to this Commission.

"Prospecting for new mineral deposits in Canada has all but ceased and, if the mining industry is to continue on any worthwhile basis, this unfortunate situation must be corrected immediately. Emphasizing the necessity for quick action is the fact that under wartime demands for maximum metal production, coupled with a labour shortage, development work at producing mines has been necessarily and drastically curtailed, and ore reserves are being dissipated at an accelerated pace.

"The incentive for continued prospecting, with its inherent physical and financial risks, lies in the prize which rewards success, i.e., a valuable deposit of mineral. No mineral prospect can justify the risks attendant upon development unless the attainable prize, in the form of commensurate profit, is available to one who succeeds. This prize has been so reduced in value by progressive increases in taxation that it no longer holds sufficient attraction for those who would venture. Private enterprise in the exploration and development of mineral deposits laid the foundations for the production success attained by the Canadian mining industry. The decline in prospecting activity is clearly illustrated in the accompanying briefs.

"In the Province of Ontario, the decline in prospecting activity began in 1929, with the downward trend obscured somewhat during the

period 1933-1936 following the increase in the price of gold. In the Province of Quebec, experience has been similar. It was plainly evident long before the emergency of the present war.

**Rapid depletion  
of known ore  
reserves**

"The raw material essential to the mining industry is developed or known ore reserves. These are definitely exhaustible and are being depleted at a hitherto unbelievable rate, with little or nothing being done, under normal conditions, to counteract such exhaustion through the discovery and development of new resources. (The prospecting and development activity engendered by war-time necessity for base and strategic minerals is not considered to be a normal condition, nor are the temporary restrictions in respect to labour, etc.). The Canadian mining industry is now in a precarious position in respect to continued supply of developed ore reserves. In reality, operations are on a salvage basis, with this condition directly attributable to the fact that development of new reserves has long since lost its former attraction.

"Not only are known ore reserves being rapidly depleted, but, under the stress of wartime conditions and restrictions, potential ore areas are being abandoned and, in many such cases, they will be permanently lost. This constitutes utter and absolute waste and must be reflected, not only in the financial position of the various companies involved but in a serious decrease in employment that could otherwise be made available. (Ref., Que. Brief, pp. 56-58 inc.; also Ont. Brief, pp. 49-50 inc., and Comments and Conclusions, pp. 5-7).

**Current Canadian  
metal production  
largely from  
early discoveries**

"No clearer illustration of the effect of cessation of prospecting and development on the position of the Canadian mining industry can, in our opinion, be presented than that which results from a study of the sources of metal production in 1941, and the time of discovery of such resources. From this, the following conclusions have been reached:

Of Canada's 1941 metal production value,

56 per cent. derived from mineral areas discovered prior to 1910.

28 per cent. derived from mineral areas discovered between 1910 and 1920.

11 per cent. derived from mineral areas discovered between 1920 and 1930.

**Only** 5 per cent. derived from mineral areas discovered since 1930.

"In other words, 84 per cent. of Canada's 1941 metal production was obtained from mineral areas discovered prior to 1920, or over twenty years ago. (Ref., Ont. Brief, Comments and Conclusions, p. 2; also Que. Brief, p. 12)."

The conclusions reached from the above data re derivation of annual metal production in Canada according to time periods of discovery, are

strikingly applicable to the Province of Ontario as evidenced by the following compilation made by this Commission.

Of Ontario 1941 metal production value,

76.4 per cent. derived from mineral areas discovered prior to 1910.

13.2 per cent. derived from mineral areas discovered between 1910 and 1920.

4.3 per cent. derived from mineral areas discovered between 1920 and 1930.

**Only** 6.1 per cent. derived from mineral areas discovered since 1930.

In other words 89.6 per cent. of Ontario's 1941 metal production was obtained from mineral areas discovered prior to 1920 or over twenty years ago.

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**Conclusion:** No one can dispute the importance of the mining industry in the economic life of the Province of Ontario. Prospecting for and development of new mineral resources are the foundations upon which the industry is based. The continuation of these activities, on a scale commensurate with increasing production, is essential to the survival of the industry.

A thorough study by this Commission of all available information pertaining to prospecting activity in Ontario has led to the conclusion that there has been a nearly continuous decline in such activity during the 15 year period ended December 31, 1942. During 1942 and 1943 prospecting activity, as indicated by number of claims recorded, showed some improvement, but, to a very considerable extent this would appear to have been the result of the war-time emergency demand for strategic minerals and not a normal condition.

The result of this prolonged inactivity has been that the mining industry in Ontario is, for all practical purposes, operating on a salvage basis and living off the activity of other years. The decline of the industry will, in the opinion of this Commission, continue at an accelerated pace unless drastic and prompt measures are taken to restore it to its rightful position.

In the presentation of any plan having as its objective the restoration of prospecting activity, it is necessary to determine the reason for the decline and to suggest measures which will correct those conditions responsible for same.

The reason for the decline in prospecting activity can be simply stated. The reward for the hazards involved has been so reduced that the incentive which formerly existed, has been largely eliminated.



There are a number of inter-related factors which must bear the responsibility for the decline in prospecting activity. Two very important factors among these are, the unsound policies of taxation on the mining industry as a whole, and restrictive legislation. These will be dealt with at greater length later in this Report.

This Commission pays tribute to the vision and judgment of those who framed the provisions of the Ontario Mining Act, which is looked upon as a model of this type of legislation and under which mining has made such outstanding progress in the Province. It would appear, however, that unforeseen conditions have developed which tend to frustrate the intention behind some of the provisions of the Act. It has therefore been deemed advisable to make certain recommendations to correct indicated abuses of the Act along with other recommendations having to do with the stimulating of prospecting activity.

The Commissioners are of the opinion that the recommendations submitted in this Report will be found worthy of immediate consideration, and that their making effective would do much to stimulate prospecting in Ontario and to place such activity on a sound basis.

Dated at Toronto, Ontario,  
September 6th, 1944.





ONTARIO

REPORT  
of the  
ROYAL ONTARIO  
MINING COMMISSION  
1944

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PART II

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REGULATIONS GOVERNING THE FINANCING OF  
MINING DEVELOPMENTS





# TABLE OF CONTENTS

## PART II

	PAGE
<b>Report on,—Regulations Governing the Financing of Mining Developments</b> .....	1
<b>Recommendations:</b>	
Ontario Securities Act.....	1
Three Man Commission.....	2
Personnel of Commission.....	2
Absorb Present Records and Staff.....	3
Immediate Legislation.....	3
Registration.....	3
Integrity of Applicant.....	3
Non-Resident.....	4
Name of Individual to Appear.....	5
Require Surety Bond.....	5
All Registrations to Conform with New Act.....	6
Cancellation.....	6
\$10,000 Prospecting Syndicates.....	6
(Bona Fide Prospector Defined).....	7
\$35,000 Mining Syndicates.....	8
Full Disclosure.....	9
Delivery of Prospectus.....	9
Confirmation to Customers.....	10
Information to Purchasers of Other Than Treasury Shares....	10
Calls at Private Residence.....	11
Access to Company Shareholders' Register.....	11
Powers of Investigation.....	12
Prosecution for Fraud.....	12
Investment Counsel to be Registered.....	12
Legislation to be Avoided.....	13
Restitution.....	13
Regulate Financial Set Up.....	13
Interference in Private Agreements.....	13
Regulate Price of Securities.....	14
Escrowing Vendor Shares.....	14
Title to Property.....	16
Setting Up Regulations.....	16
Release of Vendor Shares.....	17
Provision for Appeal to Courts.....	18
<b>Conclusion</b> .....	18



## PART II

### REGULATIONS GOVERNING THE FINANCING OF MINING DEVELOPMENTS

#### Recommendations:

1. That the Securities Act and Regulations of Ontario, R.S.O. 1937, C. 265, (as amended 1940, Chapter 25, and 1941, Chapter 53), be repealed and that a new Securities Act be drafted consolidating certain provisions of the present Securities Act and Regulations and, in addition, containing the necessary legislation to make effective the recommendations of this Commission as hereinunder set forth.

From the evidence before it this Commission is fully agreed, that there is definite need of some governmental control over the sale of mining securities, and that readily understandable and intelligently administered legislation, as a fraud preventive measure, is essential to the promotion of legitimate financing of new mining developments. The objective set by this Commission, in this phase of its enquiry, has been to determine a policy of control which, while functioning as a fraud preventive measure, will not discourage or retard the exploration for and development of new mines.

The Securities Act and Regulations, R.S.O. 1937, Chapter 265 (as amended 1940, Chapter 25, and 1941, Chapter 53) has, in the opinion of this Commission, failed to solve the problem of preventing fraud in the sale of securities for which purpose the Act was enacted.

The Board of Review set up under the Act, having as its function the hearing of appeals from the rulings of the Securities Commission, appears to be unnecessary and to serve no purpose which could not be more advantageously served by a sound policy of administration, under a readily interpreted Act designed for the prevention of fraud in the sale of securities, with provision for direct appeal to the courts from any ruling or decision made by any administrative authority set up under such Act.

An analysis by this Commission of the present Securities Act and Regulations clearly indicates the possibility of confusion in its interpretation, resulting from the various unconsolidated amendments and changes to which the Act has been subjected in an effort to achieve its purpose. Regulations have been added or changed from time to time, of which a considerable number have been of the "rule of thumb" variety which, in so far as



this Commission is aware, have never been made public. These regulations have added to the confusion engendered by the already involved requirements under the Act. The net result would appear to be, that since the enactment of the Act and Regulations, the authority under the Act has not only failed to attain the objective set but has developed in such a manner as to seriously retard the financing of new mine development.

This Commission is of the opinion that further tinkering with the present Act would fail to meet the requirements and would lead to further confusion: that the drafting of a new, simplified and readily understandable Act, embodying and consolidating the more sound provisions of the present Act, and making effective the recommendations of this Commission, would be a forward step at least in solving the present very complex problem of control over the sale of mining securities.

This Commission would be glad to co-operate in the drafting of the proposed new Act.

Three Man  
Com-  
mission.

Personnel  
of Com-  
mission.

2. That the administrative authority under the new Act be a part time commission of three men, appointed by the Lieutenant-Governor-in-Council, operating through a Registrar appointed by the Commission and responsible to same, and that the personnel of the proposed Securities Commission be chosen to include one member skilled in law, one member skilled in matters pertaining to dealing in securities, and one member skilled in the requirements and conditions of the mining industry including the financing of its development in Ontario.

From the evidence before this Commission the conclusion has been reached that the administrative authority under any Act, designed as a fraud preventive measure in the sale of mining securities, should not be vested in any one person. The many factors involved in the financing of mining developments are of such a varied nature that it would appear unsound to expect any individual to be skilled in all phases of the subject. The Commissioners have recommended a part time Securities Commission, operating through its appointed registrar, as the administrative authority under the proposed new Act, believing that the combined personnel having the above qualifications would not only result in better administration of the Act, but would remove any objections which might be raised to the placing of the powers of the Act in the hands of any individual. This Commission is of the opinion that following the establishing of such an administrative authority a full time Securities Commission would not be required.

3. That the office of the proposed Securities Commission under the new Act absorb all records of the present Securities Commission, and that, in so far as deemed necessary or advisable by the proposed Securities Commission, the staff of the present Commission be absorbed by the new with additions to or changes in such staff as may, in the opinion of the proposed Commission, be deemed necessary for the proper enforcement of the provisions of the proposed new Act.

Absorb  
Present  
Records and  
Staff.

There would be many apparent advantages in the absorption of the staff of the present Securities Commission by the new administrative authority, but, in such procedure, the way should be left open for the making of any changes or additions which might prove beneficial.

4. That pending drafting and enactment of the proposed new Act the following recommendations be made effective under the authority of the present Securities Act. (This Commission strongly recommends that where possible this recommendation be made effective without delay).

Immediate  
Legislation.

From the evidence before it this Commission is convinced of the urgency for immediate corrective measures in respect of the control of sale of mining securities in Ontario. While recommending the drafting of a new Securities Act, the Commissioners are fully aware of the fact that many of the recommendations submitted by it could be made effective under the authority of the present Securities Act and Regulations. They see no reason for delaying such action until the proposed new Securities Act has been carefully and intelligently drafted and the necessary legislation enacted. The conditions which have developed in respect of sale of mining securities in Ontario demand immediate correction.

5. That under the proposed new Act provision be made for the following legislation and its enforcement by the Securities Commission acting through its appointed Registrar:

(a) The registration of all companies, syndicates (excepting the \$10,000 Prospecting Syndicate as hereunder referred to), partnerships, brokers, salesman or others who make a business of selling or offering securities for sale to the public.

Registration.

No comment necessary.

(b) To allow application for registration to sell securities to the public only when satisfied, after study

Integrity of  
Applicant.

**of the history of each applicant, with the integrity of such applicant.**

From the information and evidence before this Commission the conclusion has been reached, that in any measure of effective control over the sale of mining securities, a first essential is that the integrity of those engaged in the business of selling securities be sound. The greatest care should be exercised by the administrative authority under any Act, designed as a fraud preventive measure in the sale of securities, in determining the character of persons seeking registration as salesmen or security issuers, and where such applicant cannot meet the ordinary standard of requirements for fair dealing his application should be refused.

Non-  
Resident.

**(c) To refuse application for registration to any person, other than those persons of good integrity serving outside of Canada in His Majesty's Armed Forces, who has not been resident or domiciled in Canada for at least twelve consecutive months prior to date of application for registration unless, at the time of his application, such person is registered either as a broker, salesman or security issuer under the security laws of his state or province of origin.**

**Where the broker making application for registration is a partnership these restrictions to apply to all the partners, and where the person seeking registration is a company these restrictions to apply to the directors and chief officers of the company, as now defined under Part I, Section 3, of the Regulations under the Present Securities Act.**

The enquiry by this Commission has strongly indicated that persons have been allowed to enter Canada, and, particularly the Province of Ontario, from other countries under the guise of settlers, merchants or visitors, while their sole purpose has been to engage in the business of selling securities to the public for as long a period as such activity results in personal financial gain.

The information before this Commission indicates that such persons have been registered as security salesmen, under the Securities Act of Ontario, without proper enquiry being made into their previous business integrity when dealing with the public. Among such persons are found those who have no intention of assuming any of the ordinary responsibilities of a citizen of Canada. It is for the purpose of eliminating, in so far as possible, this type of person from the business of selling securities in Ontario that the recommendation covering non-residents is submitted.

(d) To refuse the application for registration of any person where it appears that such person proposes to use or is using a trading name other than his own, or that of his partner, or is calculated to conceal from the public the identity of the applicant.

Name of  
Individual  
to Appear.

Subject to the above provisions, and with the approval of the Securities Commission, any partnership or company may be registered as a broker, whereupon the partnership or company may trade in securities, and the members and officials of the partnership and the officials of the company, other than branch managers or salesmen of the partnership or company, may act as such without separate registration, and the provisions of the proposed new Act shall be deemed to apply to such partnership or company.

The purpose of this recommendation is to discourage the setting up of "fronts" to cover the identity and activities of persons engaged in the business of selling securities to the public. From the information before it, this Commission is convinced that some persons are prominently engaged in the foisting of securities of little if any merit on the public, through conveniently formed companies or organizations the name of which in no way, discloses the identity of those in control. The adoption of this recommendation would, it is believed, bring such persons out in to the open and make them subject to control under proper legislation.

(e) That, when directed by the Commission appointed under the proposed Act, the Registrar shall demand and insist upon any or all applicants for registration, within a specified time limit, to deliver a bond by a surety company approved by the Commission and in such amount as the Commission shall require, with provision made for the forfeiting of such bond when the registered party has been:

Require  
Surety  
Bond.

- (i) A party to civil proceedings in the courts as a result of which final judgment has been given against such party in connection with a trade in a security where such judgment is based upon a finding of fraud, or
- (ii) Where there has been filed with the Registrar a certificate of the Commission that proceedings by or in respect of the broker or salesman in respect of whose conduct the bond is conditioned have been taken under the Bankruptcy Act (Canada), or by way of winding up.

The purpose of this recommendation is primarily to make adequate provision for determining and assuring



the integrity of an applicant for registration as a security salesman or security issuer. Conditions may develop in which the determining of the integrity of an applicant for registration would be beyond the facilities of the administrative authority set up under the proposed new Act. In such cases the applicant should be subject to investigation by an established surety company.

A secondary consideration, evolving from forfeiture of the surety bond, is to assure the provision of resources from which restitution could be made to a defrauded party, when so ordered by the courts.

All Registrations to Conform with New Act.

**6. Having established the above policy in regard to registration of brokers and salesmen, the records of the present Securities Commission should be carefully examined with a view to having all registrations conform with the requirements of the proposed new Act.**

Having established the requirements for acceptance of any application for registration as a security salesman or issuer, as set out in the preceding recommendations, it is logical to conclude that all persons presently registered under the existing Securities Act and Regulations should conform with the added or amended requirements.

Cancellation. **7. That registration be cancelled where fraud has been proven.**

Where fraud is found in the sale of securities the first action of the administrative authority should be to cancel the registration of the offending party.

\$10,000 Prospecting Syndicates.

**8. The privileges extended to \$10,000 Prospecting Syndicates, as presently defined under the Securities Act of Ontario, should be continued but made subject to the following provisions:**

(a) Without the consent in writing of the proposed Commission, no \$10,000 Prospecting Syndicate shall be filed or registered in which any of the organizers or promoters, directly or indirectly, are a party to the syndicate agreement when any such persons have been refused registration or have had their registration suspended or cancelled, as salesmen or brokers, under the provisions of the proposed new Act.

This Commission believes that the intention behind the provisions of the Securities Act and Regulations pertaining to prospecting syndicates was to facilitate the financing of the activities of the bona fide prospector (Ref. Securities Act, Sec. 13f). The legislation was never intended to benefit stock salesmen or security

issuers. This recommendation, if made effective, would not prohibit registered salesmen or brokers participating in the formation of prospecting syndicates, provided their integrity will meet the requirements for registration under the proposed Act.

**(b) That when securities of a \$10,000 Prospecting Syndicate are to be sold to the public full disclosure shall be made to the prospective purchaser of all facts pertaining to the conditions and terms of the syndicate agreement, before sale is made, and such facts shall be filed with the proposed Registrar for the Commission before securities are offered for sale, and shall be made available on application to any interested party.**

Under the existing Securities Act and Regulations no disclosure of the pertinent facts pertaining to a \$10,000 Prospecting Syndicate is required to be made to the administrative authority even though securities of such syndicate are sold or offered for sale to the public. This Commission believes that the existing condition, in this respect, demands immediate correction.

**(c) That, subject to the following exceptions, selling of the syndicate securities shall be limited to members of the syndicate who can qualify as bona fide prospectors and do not make a business of selling securities to the public.**

**Note: For the purpose of this and other recommendations in this Report a bona fide prospector is considered to be a person who engages in exploring for valuable minerals, or in testing supposed discoveries of same.**

Bona Fide  
Prospector  
Defined.

In so far as possible, without handicapping the bona fide prospector, the privilege of selling securities in a \$10,000 Prospecting Syndicate should be limited to such persons and not extended to include those whose chief occupation is in the sale of securities.

**(d) That where a salesman or broker who makes a business of selling securities to the public engages in selling securities of a \$10,000 Prospecting Syndicate, he be subject to all the provisions of the proposed new Act covering salesmen or brokers.**

Where a bona fide prospector finds it necessary to sell or offer for sale to the public, securities of a \$10,000 Prospecting Syndicate, and any person or persons, who make a business of selling securities to the public is employed for this purpose, then such persons should be required to register as a security salesman or issuer

thereby becoming subject to all of the requirements under the proposed Act.

(e) That no person shall be permitted to form or to participate in the formation of more than one \$10,000 Prospecting Syndicate in any one calendar year, the securities of which are to be offered for sale to the public.

The evidence before this Commission indicates that the privileges extended to the prospector in respect of \$10,000 Prospecting Syndicates have been grossly abused by persons whose primary interest lies in financial gain through unrestricted sale to the public of the securities of such Syndicates.

This Commission believes the unrestricted formation of \$10,000 Prospecting Syndicates, the securities of which are to be sold to the public, is harmful to sound prospecting activity, and that no bona fide prospector would be hampered in his search for and development of valuable deposits of mineral through the adoption of this recommendation.

In this recommendation there is no prohibition of any bona fide prospector forming and privately financing as many \$10,000 Prospecting Syndicates as he sees fit. The recommendation does not become effective excepting where the securities of such syndicates are being sold or offered for sale to the public.

\$35,000  
Mining  
Syndicates.

9.—(a) That a copy of prospectus as now required under the provisions of The Companies Information Act of Ontario shall be delivered to each purchaser of securities of an Incorporated Mining Syndicate with capital not exceeding \$35,000 as defined in Regulations under The Securities Act, Part II, Section 6, Subsection (5), when such securities are being sold or offered for sale to the public, prior to the time any primary sales transaction takes place.

This Commission believes that delivery of prospectus prior to completion of any primary sales transaction in the securities of \$35,000 Incorporated Mining Syndicates, the securities of which are being sold or offered for sale to the public, should be a requirement under the proposed new Act in order that the purchaser may be made aware of all important facts pertaining to such syndicates.

(b) That no person shall be permitted to form or to participate in the formation of more than one \$35,000 Mining Syndicate in any one calendar year, the securities of which are to be offered for sale to the public.

Under the Securities Act and Regulations of Ontario certain privileges are granted in respect of Private and Incorporated Mining Syndicates with capital not exceeding \$35,000 (Ref. Regulations under the Securities Act, Part II—Sec. 6, ss. 4 & 5). The legislation affecting Private Mining Syndicates of this type whose securities are not being sold to the public appears, in the opinion of this Commission, to be satisfactory. The legislation governing formation and sale of securities of an Incorporated Mining Syndicate, the securities of which are being sold to the public, does not appear adequate, in that no restriction is placed upon the number of such syndicates which may be formed in any calendar year. Without such restriction the way would appear to be open for abuse of the privileges extended to these syndicates.

**10.—(a) That delivery of prospectus, in the form** <sup>Full</sup>  
**prescribed under The Companies Information Act of** <sup>Disclosure.</sup>  
**Ontario, be made a requirement at the time of trans-**  
**actions, and before completion of same, in all primary**  
**sales of mining securities by persons registered under**  
**the proposed new Act.**

The enquiry by this Commission has led to the conclusion that disclosure of all important facts pertaining to a security being sold or offered for sale to the public is essential to any plan designed for control of such sales. The Commissioners believe that such disclosure can best be made through delivery of prospectus to each purchaser prior to the time of sale of securities.

**(b) Primary sales of securities shall mean and include:**

- (i) When sale is by or on behalf of a company or**
- (ii) By or on behalf of any underwriter or op-**  
**tioneer, or**
- (iii) On any cash purchase made with a view to**  
**resale to the public, or**
- (iiii) Where such security was issued for con-**  
**sideration other than cash.**

This recommendation, covering delivery of prospectus, is intended to apply only to primary sales of securities, i.e., first or subsequent offerings, and not to ordinary transactions between the public and broker.

**(c) That in all transactions where delivery of a** <sup>Delivery of</sup>  
**prospectus is required such delivery shall be considered** <sup>Prospectus.</sup>  
**to have been made when**



- (i) A signed acknowledgment of receipt of such prospectus has been obtained by the seller, or
- (ii) The required prospectus has been sent to the purchaser by registered mail prior to the completion of any transaction in the sale of securities.

The above provisions for delivery and filing of prospectus shall not apply to securities of a \$10,000 Prospecting Syndicate or a \$35,000 Private Mining Syndicate the securities of which are not being offered for sale to the public nor shall they apply to transactions in any securities now specifically exempt from registration under the present Securities Act and Regulations of Ontario.

No explanation deemed necessary.

(d) Where a prospector sells securities issued to him by a mining company or syndicate, as a consideration for transfer of property, he shall disclose to the purchaser at the time of transaction, that the proceeds from such sale will not be paid to the treasury of the company.

The purpose of this recommendation is to afford some measure of protection, through disclosure, to the purchaser of vendor shares which may be sold by a prospector.

Confirmation  
to  
Customers.

(e) That Sections 19 and 20, Part III, of the present Securities Act and Regulations, be embodied in the proposed new Act and extended to cover transactions in unlisted securities.

Under the present Securities Act, Part III, Sec. 19 and 20, a broker acting as an agent for a customer, in the purchase or sale of a security, is required to furnish certain information to the customer with confirmation of any transaction made on his behalf. This requirement has been interpreted to apply only to transactions in securities listed on a stock exchange. This Commission believes that the requirements should be extended to cover transactions by brokers in unlisted securities.

Information  
to Purchasers  
of Other  
than  
Treasury  
Shares.

(f) That when any security is sold or offered for sale by any broker or salesman, or their representative acting as a principal, and when the proceeds from the sale of such security will not be paid to the treasury of the company whose securities are being offered for sale, each purchaser of such security shall receive at time of purchase a written or printed statement making full

**disclosure of the interest of the seller in the proceeds from such transaction.**

From information before this Commission, it is indicated, that under certain conditions, securities of a company are sold to the public when the proceeds of such sales accrue to the seller and not the treasury of the company. An example of this is the sale to the public of vendor shares held by one or more persons. The purpose of the recommendation is to provide disclosure of this condition to the purchaser.

**11. That Regulation No. 27 of The Securities Act of Ontario, R.S.O. 1937, c. 265, covering call at residence in person or by phone, be extended to include long distance phone calls or telegraph messages in or emanating from the Province of Ontario, and that such regulation be rigidly enforced.**

Calls at  
Private  
Residence.

The practice of unrestricted solicitation of persons by telephone, both local and long distance, telegraph, or personal visitation, for the purpose of selling mining securities is, in the opinion of this Commission, harmful to the best interests of the mining industry in this Province.

Information before this Commission indicates that "high pressure" selling, using the above media, has developed to an alarming degree and has proved detrimental to the legitimate financing of mining developments. The Commissioners do not differentiate between the respective merits or otherwise of the mediums employed in this method of solicitation, but feel that legislation making their recommendation effective should be enacted without loss of time and be definite in its intention.

**12. That the Ontario Companies Act be amended with provision made that the shareholders' register of any company shall not be examined by any person, for the purpose of obtaining the names and addresses of shareholders, for other than the legitimate business of the company, and that it be made an offence under the Act for any person, other than a trust company or other legitimate recognized transfer agent, to dispose of, for a consideration, any list of shareholders which he may obtain from the register of any company.**

Access to  
Company  
Share-  
holders'  
Register.

It appears that among persons engaged in the sale of mining securities to the public there are some who traffic in lists of shareholders obtained from the registers of mining and other companies. Information before this Commission indicates that such lists have been used to

further fraudulent practices such as inducing holders of securities of worth to exchange same for those of doubtful if any real value. Also, it is believed that such lists are employed frequently as the nucleus for the compilation of so called "sucker lists" without which the fraudulent promoter would be severely handicapped.

Powers of  
Investiga-  
tion.

**13. That under the proposed new Act the Commission shall be given full powers to investigate where there is a written specific complaint of fraud in the sale or offering of securities for sale to the public or, where directed to do so on written instructions from The Attorney General of Ontario.**

Under the present Securities Act of Ontario the administrative authority has powers of investigation which this Commission believes are open to abuse, and which may be employed in a manner detrimental to the legitimate financing of mining developments. It is the opinion of this Commission that, where a complaint has been made to the administrative authority suggesting fraud in the sale or offering for sale of securities to the public, such complaint should be specifically set out in writing and signed by the complainant before action is taken on behalf of such complainant. The recommendation provides also for investigation by the administrative authority when instructed in writing to do so by the Attorney-General of Ontario.

Prosecution  
for Fraud.

**14. That the finding of fraud be followed by rigorous prosecution.**

This Commission has been authentically informed that under the present Securities Act there have been occasions on which the administrative authority has permitted persons admitting, or proven to have engaged in fraudulent practices in the sale of securities, to make restitution to defrauded persons and, by so doing, escape prosecution. In some cases the involved persons have been permitted to continue in the business of selling securities. Under such a policy there must be suspicion at least of condonement of the very practices for the elimination of which the Securities Act was enacted.

Investment  
Counsel  
to be -  
Registered.

**15. That provision be made under the proposed new Act requiring separate registration of all so-called investment counsellors who, through circulars or other media, advise the public regarding purchase or sale of securities. That such registration be allowed only after the personal interest of the applicant in any securities, the purchase or sale of which he may advise or suggest, has been disclosed, and that a condition of continued registration shall be the disclosure of such**

**personal interest at all times when requested by the Commission.**

Closely connected with the business of selling securities to the public there has developed the so-called "investment counsellor". It would appear that among these "counsellors" there are those whose "counsel" is, to say the least, far from being impartial but is directed rather towards promoting the sale of securities in which they, or their associates, hold a personal financial interest.

The standing of impartial and qualified investment counsel, in the opinion of this Commission, would not be jeopardized by the requirements of this recommendation for registration and disclosure of personal interest in securities the sale or purchase of which he may advise. On the other hand, it is believed that the investment counsellor whose chief interest lies in promoting the sale of securities for personal gain would be forced to find other occupation.

**16. That under the proposed new Act the administrative authority shall have no power to:** Legislation to be Avoided.

- (a) **Demand or sanction the making of restitution where fraud in the sale of securities has been found or admitted.** Restitution.

The making of restitution by those proven guilty of fraud in the sale of securities should be left to the decision of the courts before which the offending party has appeared.

- (b) **Regulate the financial set up of companies, partnerships or syndicates, or regulate the proportion between vendor and treasury shares.** Regulate Financial Set Up.

The financial setup of mining companies or syndicates, including the proportion between vendor and treasury shares, may vary widely depending upon differing conditions in respect to development stage reached on their properties, monies expended and other factors. In the opinion of this Commission no all embracing regulations could be devised to meet the requirements in all cases. The financial setup should be determined in the manner most advantageous to the combined interests of shareholders in the organization and vendors of the property acquired.

- (c) **Interfere in agreements between private parties or limit the rights of persons to contract between themselves.** Interference in Private Agreements.



From available information it would appear that occasions have arisen on which the administrative authority under the Securities Act has interfered in the fulfillment of agreements between prospectors or their financial backers and financing agencies, to the detriment of the prospector and his activities, and to the development of new mineral resources.

This Commission is of the opinion that the prospector and his associates should be given a free hand in entering into and consummating private agreements which will encourage prospecting activity with its attendant development of new mineral resources.

Regulate  
Price of  
Securities.

**(d) Regulate the price of mining securities—the price should reflect the value the public place on securities.**

Governmental regulation of the price at which a mining security may be sold to the public does not appear to be either feasible or sound. Its purpose would be primarily to prevent too great a spread between the cost to the security issuer and the selling price to the public. In the opinion of this Commission the price of securities sold to the public, and therefore the above-mentioned spread, should be governed only by the value placed upon the security by public demand. Provided there is made available to the purchaser, at the time of any transaction in a primary sale of securities, full information, as recommended above, regarding the company whose securities are being sold, and the price paid for such security by the financing agency or security issuer, such information should be sufficient to enable the purchaser to use his own judgment in respect of the price he pays for the security.

The history of the sale of mining securities for the purpose of financing mining developments, is replete with examples of sudden public demand resulting from developments on the property of the company whose securities are being sold which, in the matter of minutes, has materially increased the potential value of such securities. Conversely, developments have taken place which have resulted in sharp decrease in potential value quickly reflected in the selling price of securities.

It would appear to this Commission that, given the facts at the time of purchasing securities, the policy of "caveat emptor" should govern.

**(e) Order escrowing of vendor shares.**

Escrowing  
Vendor  
Shares.

From the evidence before this Commission it is indicated that the greatest progress in the discovery and

development of mineral resources in Ontario was made during a period in which there was no legislation requiring the escrowing of vendor shares. Under the present Securities Act of Ontario 90% of vendor shares must be escrowed at the time of company formation. Of the shares so escrowed one share is released, when application is made to the Securities Commission by the owner of such shares, for each share of treasury stock sold. The purpose of this regulation is to provide some assurance that, when securities of a mining company are being sold to the public for the purpose of obtaining financing for property exploration or development, advantage will not be taken of this situation, by the owners of vendor shares, to dispose of their holdings in such quantity or manner as would be detrimental to the company or the purchaser of treasury shares.

Theoretically the escrowing of vendor shares by regulation may appear to have some advantages. In practise, however, these would seem to be far outweighed by the disadvantages, particularly to the bona fide prospector and those supplying the finances necessary for their continued activity so essential to the development of mineral resources.

The advantages of the forced escrowing of vendor shares would appear to accrue largely to those engaged in the business of selling securities to the public, in that it protects prices which may have been fictitiously established on the market for securities by such persons. This protection to promoters, through a government agency, often operates to the detriment of the purchasing public, and, in so doing, the net result would appear to be diametrically opposite to that which was primarily sought by the enactment of the Securities Act of Ontario.

No one can successfully dispute the fact that, in some instances, where financing for development of its property is being done by a company, through sale of its securities to the public, the necessity for pooling vendor shares will arise. In the past, arrangements for such pooling have been satisfactorily made by private agreement between the interested parties. Such agreements may have led to occasional abuse by unscrupulous persons, who, as owners of vendor shares have, when the opportunity arose, jeopardized the position of the company and purchasers of treasury shares by selling publicly their vendor shares and pocketing the proceeds. In its Report this Commission has recommended that legislation be enacted which will result in requiring persons selling vendor shares to the public to disclose the personal interest of the seller in the proceeds from such sales.

With such disclosure it is believed that ample protection will be afforded the company and the public.

From the information and evidence presented before it this Commission is of the opinion, that provided its recommendations re registration of security salesmen and issuers are adopted, ordering of the escrowing of vendor shares would not be necessary as a function of agreement between the vendor of a mining property, the government, but would be entirely a matter for private company seeking financing and the financing agency.

Title to  
Property.

**(f) Insist in all cases upon absolute title to properties being held by mining organizations financing exploration or development of mining properties through public sale or securities,—requirements for title to be at the discretion of the Commission or its representative.**

Regulations under the Securities Act of Ontario prohibit the sale of a mining company's securities to the public unless such company can show absolute title to its property. The information before this Commission indicates that the evasion of this requirement has proved comparatively simple to persons desiring to do so.

This requirement could operate to the serious disadvantage of a company which is legitimately endeavouring to acquire, and successfully develop properties on which there are indications of possibilities for mineral deposits. Such a company may acquire control of a property under an option agreement to purchase in the event of successful developments. Under such conditions, and depending upon circumstances, including the responsibility of the company, its policies and terms of options, etc., this Commission is of the opinion, that there is ample justification for public financing when disclosure of the facts is made to the purchaser of securities of such company.

Setting Up  
Regulations.

**(g) Set up any regulations which are not incorporated in the proposed Act or approved by the Lieutenant-Governor-in-Council, and that any regulations so approved shall also be approved by the Legislature within thirty days, or if the Legislature is not then sitting, within thirty days after the opening of the next following Session, and shall be incorporated in the Act.**

One of the outstanding weaknesses of the Securities Act of Ontario has been the power which it bestows on the administrative authority under the Act, in respect of formulating policies and setting up regulations for their fulfillment. From the evidence before this Commission it is indicated that, on occasion, regulations detrimental

to the legitimate financing of mine exploration and development have been imposed at the will of the administrative authority without full understanding of the effects of such regulations.

In the opinion of this Commission, it is essential that all regulations under any Act designed, to control the financing of mining developments should be incorporated in such Act. Recognizing the inevitable delay which may arise in enacting legislation and the possible effect of such delay, and pending the enactment of such legislation, provision should be made for the approving of regulations under the Act only when such regulations have been carefully considered by a Securities Commission, the personnel of which shall be as recommended in this Report.

**17.—(a) That provided the above recommendation re discontinuance of the practice of escrowing vendor shares be adopted, all such shares presently held in escrow under regulations of the Ontario Securities Act or its administration be released from escrow and made available to the recorded owners.**

Release of  
Vendor  
Shares.

Providing the above recommendation re the escrowing of vendor shares is adopted, it logically follows that all shares presently held in escrow by order of the Securities Commission should be released. It is important to note that this recommendation in no way suggests that existing agreements, privately made for the pooling of vendor shares, should be dissolved.

**(b) That to enable the adjustment of presently escrowed share positions, by private agreement between the interested parties, all such parties should receive six months notice of the release of shares presently escrowed by the Ontario Securities Commission, and such notice should follow as quickly as possible the adoption of this recommendation.**

This Commission is fully aware of the consequences of immediate release of vendor shares escrowed by order of the Securities Commission. For this reason it has recommended a period of adjustment of six months, before such shares be released, in order that, when so desired by the interested parties, private agreements can be effected. By so doing the Commissioners feel that ample provision has been made for the protection of those companies, vendors and security issuers who are concerned primarily with the legitimate financing of new mining development rather than the profits which can be derived from market manipulation.



(c) That provided no private agreement has been reached within the time specified in (b), the Securities Commission shall take whatever action may be necessary to ensure the bringing about of such agreement, in order that all vendor shares escrowed under Regulations of The Securities Act be released, proportionately to the interest of all owners of such securities, as soon as possible after the expiry of the above mentioned six months period.

In order that release of all securities presently escrowed by the Securities Commission be made effective, it may be necessary for the Commission to take appropriate action to bring about private agreements to ensure equitable release of such securities after the expiry of the recommended six months period.

Provision  
for Appeal  
to Courts.

**18. Full provision should be made in the proposed Act for direct appeal to the courts from all rulings or decisions made by the Commission or its representative under the proposed Act.**

No comment on this recommendation is considered necessary.

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**Conclusion**      The stated purpose of the Ontario Securities Act and its predecessor, the Security Frauds Prevention Act of 1928, 1929 and 1930, was to prevent fraud and misrepresentation in the sale of securities to the public. The Acts, with their many amendments and regulations, do not appear to have attained the objective set.

The information before this Commission indicates that fraudulent practice in the sale of securities has reached serious proportions. If allowed to continue this must inevitably reflect upon the Provincial Government and hamper the legitimate financing of mining development. Speculative or venture capital is essential to such development. Failure to prevent fraudulent practices in the sale of mining securities results in serious loss to the industry of such capital. It is also indicated that the victims of such fraudulent practices are, generally, reluctant to publicly admit the extent of their own folly, hence correction of certain conditions has been made difficult for the authority established for this purpose.

In its present legislative form, and in its administration, the Ontario Securities Act has taken unto itself powers which this Commission believes were never intended in respect of the regulating of mine financing. Intended as a fraud preventive measure it has developed, on the one hand, into a measure which tends to result in strangulation of new

mining development, and, on the other, into a measure which, in some phases of its operation at least, would seem to do more to condone fraudulent practices than to discourage same.

This Commission believes that the powers which, under various administrations, the Securities Act and its administrators have assumed places the administrative authority in an impossible position. To correct this it believes that legislation should be enacted which will clearly define and limit the powers of the administrative authority to requirements under such legislation, and that these should not be deviated from for any reason of policy or otherwise.

The evidence before the Commissioners indicates that, in the main, prevention of fraudulent practices in the sale of securities, in order that the public be given a fair run for its money, and that the greater portion of monies obtained through sale of securities finds its way into mining developments, rather than into the pockets of irresponsible promoters, could best be achieved through legislation which would demand personal integrity and financial responsibility of those engaged in the business of selling securities to the public. At the same time, it is essential that any legislation which might tend to hamper the legitimate financing of new mining development be carefully avoided.

On first thought it might appear that redrafting the Ontario Securities Act and Regulations, with amendments based upon experience and a change in its administrative policy, would meet the requirements. However, a careful analysis of the present Act leads to the conclusion that the adoption of the recommendations made by this Commission would best be accomplished through the drafting and enactment of a new, readily interpreted Act.

Dated at Toronto, Ontario  
September 6th, 1944.





ONTARIO

REPORT  
of the  
ROYAL ONTARIO  
MINING COMMISSION  
1944

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PART III

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MINING TAXATION





## PART III

# TABLE OF CONTENTS

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### MINING TAXATION

<b>Introduction</b> .....	1
<b>Recommendations</b> .....	3
Royalty Paid to Province.....	3
Depletion Allowance.....	4
Allowance for Outside Exploration.....	7
Clause "J".....	7
Elimination Clause "J" Contingent Upon Adoption of Other Recommendations.....	7
Mining Tax Act to be Studied with View to Modernizing.....	10
<b>Conclusion</b> .....	11



## PART III

# MINING TAXATION

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## INTRODUCTION

The tremendous importance of the mining industry in the economic life of the Province of Ontario, and of the Dominion of Canada, is well known and the facts indisputable. The benefits derived from the industry have had far-reaching effects on the lives of every one of our citizens in the past, and it is of paramount importance that the industry should continue to play a leading role in determining the destiny of our country.

It is the patriotic duty of every citizen of Canada, whether he be in public or in private life, to see that the future of the industry is assured by sound administration, wise leadership and enthusiastic support.

Metal mining may be considered as a manufacturing business in which the raw material is the ore—ore being defined as “a mineral deposit which can be worked at a profit under the existing economic conditions”. But, unlike most manufacturing businesses, in mining the raw material is irreplaceable when used up. Though the ore in any property is definitely limited in quantity in any given circumstance, the total amount may be expanded or contracted according to varying economic factors. The points of paramount importance which must be kept in mind are that a ton of ore extracted is gone forever, and that total tons of ore which can be produced from any property will depend upon the economic conditions under which it is mined. If cost be raised, for instance by taxation, then the total tons available as raw material for the mining business will be decreased accordingly. It is likewise true, that, by wise administration, by extensive aids to prospecting and exploration, together with research into better methods of mining and subsequent ore treatment, the industry as a whole may be expanded to include vast amounts of new ore to keep its plants working and its benefits, both direct and indirect, flowing to the people of this country.



An analysis of the present condition of the metal mining industry, as shown by staking records and the history of present operations as well as those now dormant, will prove conclusively, that the industry is living off the fat of other years and is consuming that fat at an alarming rate.

From the study made by this Commission of the available data: from the evidence adduced and representations made before the Commissioners, it is apparent that unless some favourable action is taken to overcome the handicaps under which the mining industry is now operating, it will continue its decline at an accelerated rate. This will result not only in catastrophe to the industry, but also very serious disadvantage to the people of Canada as a whole, and of Ontario in particular.

Taxes derived from the mines in Ontario go to three bodies: the Municipalities, the Province and the Dominion. Regardless of the total amount of taxation it must be admitted that the present tax structure is not based on sound principles, and that revisions made to correct this condition must not be made piece-meal, but only after having due regard to the overall situation and the effect of such revisions on the structure as a whole.

## Recommendations:

**I—That the Dominion authorities be requested to make provision under the Dominion Tax Statutes for the following:**

**1. That the total royalty paid annually by mining companies to the Province under The Mining Tax Act of Ontario be allowed as a deductible item before assessment under The Dominion Income War Tax and Excess Profits Acts.**

Royalty  
Paid to  
Province.

The Province, under the British North America Act, is the sole owner and administrator of the natural resources of that Province, including all mineral rights. In 1907 the Province of Ontario decided to extend the right to search for and extract these minerals under certain regulations, provided that those so doing would pay to the Province a royalty, on a sliding scale, based on the net value of the ore at the pit's mouth, as determined by the mine assessor.

The majority of the mines now operating were prospected and developed having regard to the royalty payment they would be required to make under the Mining Tax Act, 1914, or its predecessor the Supplementary Revenue Act, 1907, and no complaint is admissible, nor indeed has been made by the industry against that condition.

The Dominion Government derives revenue from the mines from many different sources both direct and indirect. Of these sources this Commission is primarily concerned with the revenues derived under the Income War Tax Act and the Excess Profits Act. Under these Acts the profits of any company—mining or otherwise,—are appraised and taxed under certain rules. The combined minimum rate for mining companies is 40% of their assessable profits.

The mining industry has asked no preferential treatment under this legislation. It is, in reality, a manufacturing business whose irreplaceable raw material is the ore treated. Like every other manufacturing business, the total cost of this raw material must be a deductible item in determining profit.

For Ontario mines, the total cost of this raw material is made up of three factors:

- (a) Working expenses in connection with its mining.
- (b) Capital cost of acquisition.

- (c) The royalty paid to the Province for the right to mine.

In making estimates of profit under the aforementioned Acts, that part of the cost of raw material represented by (a)—i.e., working expenses in connection with mining—is provided for. The capital cost of acquisition, (b) is intended to be covered by a depletion allowance; but the royalty (c) is totally disallowed.

It has already been shown that this royalty is, in fact, an absolutely necessary expense which must be met by the company in providing its supply of raw material. It is as much an expense as the powder to blow down the ore, or the power to hoist it. This Commission finds no conceivable reason for excluding this necessary item of expense in determining the proper cost of the ore, for the purpose of estimating profits. It is therefore very definitely recommended that the Province demand that this royalty be treated as a deductible item in the calculation of profit under any Dominion taxing statutes.

Depletion  
Allowance.

**2. That depletion allowance for metal mines be fixed at 50 per cent of net annual earnings for company and shareholder alike, before assessment for Dominion Tax purposes.**

To take care of the capital cost of the acquisition (b) of raw material, i.e., the irreplaceable ore, a depletion allowance was provided under the Income War Tax Act, 1917. When the Act was first enacted, it provided for a fixed depletion allowance of 50% of net earnings for precious metal mines and 25% for base metal mines. In 1929, the depletion allowance for base metal mines was increased to 33 $\frac{1}{3}$ %. In 1934 the depletion allowance for precious metal mines was reduced to 33 $\frac{1}{3}$ %. This rate, for all metal mines, has continued to date.

This depletion allowance was designed to be an amount sufficient to return the total capital cost of the ore free from taxation, and within the period required for its realization. This method is sound in principle, but, unfortunately, difficult to apply in practice, owing to inability to obtain exact figures for either capital cost or expected life.

A survey of the precious metal mines of Ontario has led this Commission to the belief that the experience of those mines may fairly be taken as representative of the Dominion as a whole. They are numerous, well diversified, and provide a considerable background of experience.

In the case of the base metal mines this Commission believes that these mines in Ontario are not representative of the average in Canada, and, thus, cannot be fairly used as a sample. To make an adequate appraisal of the conditions as affecting a proper depletion allowance would require a study of the whole base metal mining industry from coast to coast. Without this involved survey, but from a study of available data, we are of the opinion that the base metals should not be made into a separate class from the precious metals. There are some outstanding examples of conspicuous success in this branch of mining, as well as in the precious metal group. In the opinion of this Commission, these examples should not be allowed to outweigh in importance the far greater number of partial and complete failures in either of these fields.

Without going into detail, the Ontario records show that:

(1) Twenty-eight hundred claims were recorded during the period 1907-1941 inclusive for each company which paid one or more dividends.

(2) There was a total of 317 companies which reached production, of which only 113 reached the tax paying stage in any amount.

(3) Only 1.8% of some 4,426 organizations formed for precious metal mining were sufficiently successful to make any return whatsoever to their shareholders. It will be noted in this connection that not all of this 1.8% could be considered to have been economically successful. It has been shown that less than 1% of these companies have been or will probably be economically successful, in the sense that their capital cost will be returned and a fair interest paid.

(4) The average tax paying life of all Ontario gold mines in the period 1907-1941 inclusive was only 5.7 years and for silver mines was 6.2 years. The weighted average for both gold and silver mines is only 5.9 years.

Unfortunately for the governments, as well as for the industry, such figures as given do not afford a basis for making exact calculations as to the percentage of depletion which should be allowed. They do show, however, how extremely hazardous is the business of mining and how very short is the life of the average producer.

Regardless of the division of taxes between the various taxing bodies, the total amount paid is of paramount importance. It will be found that this total tax rate is



increasing rapidly, and, of late years, at a truly alarming rate. Taking the operating profits of the gold mines, from data submitted by the Provincial Mine Assessor, and deducting the depletion allowance, we have the approximate assessable profit for Dominion tax purposes. The proportion of this profit taken by the three principal taxing authorities in direct taxation on operations is as follows:

Year—	1917	1919	1924	1929	1934	1939	1942
Percentage—	14.6	21.6	21.9	19.3	31.3	26.2	47.2

Taking such amounts from such a speculative business as precious metal mining simply means that there is absolutely no incentive to prospect for or develop new sources of mineral wealth. The late Mr. G. R. Mickle, B.A., former Mine Assessor for the Province of Ontario, was an acknowledged authority on mine taxation. In a paper read before the Fifth Convention of the Canadian Tax Conference at Toronto, October, 1927, Mr. Mickle states:

“Long experience appears to show that the maximum amount which can be taken from anyone engaged in an enterprise involving hazard without discouraging him, is about ten percent.”

In view of the above, this Commission recommends that a fifty per cent depletion allowance be made for Canadian metal mines. The evidence indicates that such an allowance is too little, rather than too much.

From available information it is indicated that natural gas and oil wells are subject to similar development hazards and productive life expectancy as metal mines.

The proper depletion allowance to be made to shareholders poses a similar but not identical problem. In this case, the allowance should be such as would permit each individual a return of his own capital investment without being taxed. To make such arrangements is quite impracticable, and again we must have recourse to averages. The average to be taken in this case would be that proportion of the total capital cost of the venture as is represented by the shares held by the investor. Since the amount of the depletion allowance for the tax on the company and for the shareholder is determined on the same basis, it necessarily follows that the amount of the depletion allowance to the shareholder should be the same as to the company.

**3. That all annual expenditures made by mining companies on outside exploration in any part of Canada, excepting cost of options or purchase of property, be allowed as a deduction from earnings before assessment for Dominion Income or Excess Profits Tax.**

Allowance  
for Outside  
Exploration.

Not quite in the same category as the above, but still important if the industry is to be preserved, is the question of allowance for outside exploration in Canada as a deductible expense in Dominion taxation.

Through a ruling under the Income War Tax Act, a metal mine is allowed the cost of exploration on property contiguous to its main property as a working expense deductible for Dominion tax purposes. In addition, there is a wartime provision made under the Act whereby a corporation, whose chief business is that of mining for metalliferous and strategic minerals, is allowed to deduct 26.⅔% of the cost of outside exploration and development incurred by it in searching for base metals and strategic minerals during the period January 1st, 1943 to March 31, 1945.

Prospecting for and the development of new mineral resources in Canada is essential to the survival of the mining industry. New sources of raw material must be found and developed to replace those being so rapidly exhausted. In the opinion of this Commission the expenditure made by a mining organization in outside exploration in any part of Canada, should be considered as an essential working expense, justly and properly deductible for taxation purposes under Dominion taxing statutes. Encouragement of mining organizations to continue and greatly enlarge their activities in the exploration for and development of new mineral resources in Canada is of national interest.

**II—That provided the Dominion Government makes effective the above recommendations for reduction of taxation, Clause "J" of Sub-section 3 of Section 4, Part I of the Mining Tax Act of Ontario be eliminated, and that legislation be introduced so that the revenues derived by the municipalities, under the Mining Tax Act and the Assessment Act, be under such supervision, by appropriate governmental authority, as will ensure their proper use.**

Clause "J".

The mining municipalities are almost entirely dependent on the contributing mines for their existence, and are, consequently, definitely tied to the future of those mines. Since the mining business differs from all other businesses save oil production, it must necessarily follow that the methods of financing these municipalities must be especially designed to fit their particular needs.

Elimination  
Clause "J"  
Contingent  
Upon Adoption  
of Other  
Recommendations.

In 1917, the Ontario Government decided to allow a deduction not hitherto contemplated in estimating its royalty payment by mines. Under this provision, which is clause "J", sub-section 3, Section 4, Part I of the Mining Tax Act, taxes paid to the government of the Dominion and of the United Kingdom are allowed as deductible items in estimating profits. It is probable that the government thought that this was to cover only a temporary condition, that the Income War Tax Act would be enforced only for the war conditions, and that the needs of the country would justify them in surrendering part of their rightful royalty to the Dominion under these conditions: especially since the rate of taxation under the Income War Tax Act was then set at 4 per cent. How vastly different are the conditions at this time. In addition to the Income Tax of 18 per cent on profits, there is levied under the Excess Profits Act, an additional minimum rate of 22 per cent on the total taxable profits,—or a combined minimum tax rate of 40 per cent—which is ten times the initial payment of 4 per cent.

Obviously the proportion of the royalty remaining to the Province of Ontario is appreciably reduced under these circumstances. Not only is the Province seriously injured but also the mining municipalities. These municipalities derive a considerable proportion of their total revenues from a rebate to them by the Province from revenues received under the Mining Tax Act. Their financial position became so grave in several cases as to demand relief. This relief was afforded by the industry and the government, but only as a stop gap and definitely on a temporary basis.

Under the Income War Tax Act and amendments, R.S.C. 1927, Chapter 97, Part II, Sec. 5(s), taxes paid by a mining company to a municipality, pursuant to the provisions of sub-sections six, nine and eleven of section thirty-nine of the Assessment Act (Ontario), R.S.O. 1937, Chapter 272 and amendments, are allowed as a deduction before assessment provided the taxes payable by the mining company under the Income War Tax Act and the Excess Profits Act, 1940, are not allowed as deductions.

This is interpreted to mean, that provided the Province of Ontario will amend the Mining Tax Act by the elimination of clause "J", for municipal assessment purposes, which allows for the deduction of taxes paid to the Dominion under the above mentioned Acts, the Dominion will allow as a deduction from income before depletion, taxes paid to a municipality under the Assessment Act as above defined, and that unless such amend-

ment is made to the Mining Tax Act the allowance will not be granted.

While literal interpretation of the provisions of the Income War Tax Act, Part II, Sec. 5, sub-section "S", in respect of allowance as a deduction for Dominion tax purposes of taxes paid to a municipality, would be very advantageous to such municipalities, and of some benefit to the mining industry, and would entail some loss in tax revenue to the Dominion, calculations show that the tax revenue of the Province would be materially reduced. It has been suggested by the Dominion authorities that further amendments be made to the Mining Tax Act of Ontario to implement the provisions of the Income War Tax Act, in such a manner as to leave unaltered the present total tax on the mining industry and the mining tax revenue of the Province.

Such amendments would involve a change in the method of assessment and in the rates charged under the Mining Tax Act, without improving the positions of the industry or the Province. The Mining Tax Act of Ontario was designed by men of vision and having a broad understanding of the problems of the industry. Its comparative stability through the years has been a factor of outstanding importance in the development of the mineral resources of the Province. Any changes or suggested changes in the basic principles of the Act, or its method of application, would, in the opinion of this Commission, be fraught with danger unless most carefully scrutinized. Changes in basic principles of an Act, which, after long trial, has proven to be sound in principle and recognized for its stability, should not be made to conform with the requirements of any Act or Acts which are subject to drastic changes at frequent intervals, depending upon changed circumstances.

It is the opinion of this Commission, that, provided the mining industry is to survive, it is imperative that the total tax burden be drastically and promptly reduced, and that no consideration should be given to the adoption of proposed changes in the basic principles of the Mining Tax Act by the Government of Ontario, unless such changes are part of a broad co-operative plan the consummation of which will result in: very materially reducing total taxes paid by the mining industry; increasing tax revenue of municipalities, and restoring to the Province its rightful proportion of total tax revenue deriving from the mineral resources which are owned by the Province.

This Commission finds it impossible to support the above inadequate legislation under the Income War Tax Act, dealing with allowance for deduction of taxes paid



to municipalities, unless adequate provision is made under the Dominion taxing statutes for the making effective of the recommendations contained in this Report for reduction of Dominion taxation on the mining industry, in such manner as to ensure the evolving of a sound overall tax structure. Such a structure cannot, in the opinion of this Commission, evolve from the correction of one factor only, in the whole problem of taxation, designed for the particular benefit of only one of the parties so vitally affected.

The adoption, therefore, of the recommendation made by this Commission for the elimination of clause "J" must definitely be contingent on the adoption of the recommendations made in respect of changes in the methods and policy of Dominion assessment for tax purposes.

Mining Tax  
Act to be  
Studied  
with View  
to Modern-  
izing.

III—(a) That the Ontario Department of Mines be instructed to make an immediate and complete study of the Mining Tax Act, R.S.O. 1937, for the purpose of making recommendations for the adapting of this Act and its application to modern mining conditions.

(b) That the Department of Mines be instructed to study the correlation of the present or recommended provisions of the Mining Tax Act with other Acts, which may be affected by or may affect that Act, in order that confliction and ambiguity in the interpretation of such Acts be avoided.

(c) That in order to ensure full and proper consideration of all factors relating to the present or recommended provisions of the Mining Tax Act, the Department of Mines be authorized to engage such expert assistance as may be required.

This Commission is of the opinion, that while the underlying principles of the Mining Tax Act are generally sound and should not be subject to material change, some of the provisions under the Act could be advantageously modernized to conform with the developments in respect of mining and related conditions, which have occurred since the Act was first enacted and last amended.

Also, a study of the Mining Tax and inter-related Acts indicates the possibility of conflicting interpretation in some legislative provisions dealing with mining taxation. This Commission feels that the proper correction of this condition can only be accomplished through a detailed study of the Mining Tax Act, and such other Acts as may be affected by or may affect that Act, by the Department of Mines in co-operation with

and the assistance of those having expert knowledge of the subject of mining taxation in all its phases, and of the total effect of present or proposed legislation applicable to same.

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**Conclusion:** In difficult times such as the present, it is obvious that special sacrifices must be made by all. It is evident that the mining industry does not in any way wish to shift its fair share of the burden. The action of the base metal mines in fixing their production rates and price level of products, on a patriotic rather than an economic level, and the ready response of the gold mines to the request for increased production a short time ago, is the best evidence of the truth of that contention. True, the gold mines are now the orphan children of the industry, but the time will soon come, we hope, when the war will cease and that industry will again be called on, as it was after the last war, to play its great part in the maintenance of our national financial integrity, and in our post-war rehabilitation programme.

If the mining industry is to be rehabilitated, the first consideration must be the design of a tax structure on sound principles, so that the prospector, the developer and the financier will know that they can proceed with their plans for the development of our mineral resources in the positive assurance of fair and equitable treatment, when they have made and developed their finds.

In this Report the recommendations presented for the reduction of the tax burden on the mining industry are necessarily made with a view to correcting taxation methods and policies of the Dominion Government, which, in the opinion of this Commission, are the outstanding factors contributing to the so evident decline in the mining industry. Provided the mining industry is to survive, it is evident that there must be immediate and drastic change in the method of determining assessable profits.

The distribution of total taxes is entirely disproportionate to the services rendered to the mining industry by the three main taxing authorities. The mining municipalities are an integral part of the industry, supplying essential services to same, and, in the main, dependent upon the success of the industry. Ample provision must be made for their financing on a sound basis.

The Province, as the owner of the mineral resources within its boundaries, contributes largely to the development and administration of same. It is justly entitled to a larger share in the total amount of taxes paid by the industry than it receives under the existing tax structure. The Dominion, by its contribution through the geological survey, testing laboratories, etc., is entitled to some portion of the taxes paid by the industry, but its contribution fades almost into insignificance as compared to those of the municipalities and the Province.

From the evidence before this Commission it is indicated, that after allowing for subvention paid by the Dominion to the Province, to compensate the latter for its withdrawal from the field of taxation on income in favour of the Dominion, over seventy-five per cent of total taxes collected annually from the metal mining industry in Ontario, accrue to the Dominion authorities. It is therefore natural to conclude, that if relief is to be afforded to the industry it must logically be conceded by the Dominion Government.

In the opinion of this Commission the mining industry in Ontario and the Dominion is facing a crisis with prompt and drastic relief from unsupportable taxation essential to its survival.

Dated at Toronto, Ontario,  
September 6th, 1944.



REPORT  
of the  
ROYAL ONTARIO  
MINING COMMISSION  
1944

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PART IV

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FINANCING OF MINING MUNICIPALITIES





# PART IV

## TABLE OF CONTENTS

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	PAGE
<b>Financing of Mining Municipalities.....</b>	<b>1</b>
 <b>Recommendations:</b>	
Improvement Districts.....	1
Location of Townsites.....	2
Require Plan and Approval by Qualified Engineer.....	4
Sale of Lots.....	5
Allow Cost of Plan.....	5
Municipal Improvement Fund.....	5
Board of Trustees Appointed.....	6
Election of Trustees.....	7
Secretary Treasurer.....	8
Remuneration.....	8
Divide into Wards.....	8
Local Improvements.....	9
School Sections.....	9
Erection of Improvement Districts.....	9
Compensate for Permanent Improvements.....	11
Co-operation between Government Departments.....	11
Appointment of Investigating Officer.....	12
Financing Mining Municipalities.....	13
Factors Affecting Revenue.....	13
Clause "J".....	14
Grants Paid to Mining Municipalities.....	15
Municipalities Deriving No Revenue from Provincial Tax on Mines.....	17
Porcupine District.....	18
Taxes When Severance of Mineral Rights.....	18
Assessment by Mine Assessor.....	19
Municipalities Right to Appeal.....	19
Municipal Tax on Non-Operating Income.....	20
Development of Other Natural Resources.....	22
<b>Conclusion.....</b>	<b>22</b>



## PART IV

### FINANCING OF MINING MUNICIPALITIES

#### Recommendations:

1. That for municipal purposes all unorganized districts in Ontario be divided into zonal areas and in such areas Improvement Districts, as provided for under The Municipal Act, R.S.O. 1937, Chapter 266, Section 44a, shall be erected where there is prospecting or other mining activity, whether or not any development is actually taking place, thus automatically bringing under the direct control of The Department of Municipal Affairs, all matters having to do with the use of lands for the building of homes and for townsite purposes.

From submissions before this Commission it is indicated, that the division of unorganized districts in Ontario into zones, with the establishment of communities and the erection of buildings in same under supervision of the Department of Municipal Affairs, would prove advantageous as a first step in the suggested programme of setting up, supervision and financing of new municipalities or Improvement Districts.

Under the Municipal Act R.S.O. 1937, Chapter 266, Section 44a, Part I, provision is made for the erection of Improvement Districts with boundaries and name and date of erection determined by the Municipal Board. These Improvement Districts are deemed to be organized municipalities, and, as such, are subject to the provisions of the Municipal, Assessment, Mining Tax, Public Health and Public Utilities Acts, and every other general Act including those pertaining to schools in a township, and thereby share in full all the advantages under such Acts.

An Improvement District under the Municipal Act is at all times subject to Part III of the Department of Municipal Affairs Act 1943, which provides for supervision by the Department of Municipal Affairs in all matters pertaining to such Districts, including their location, expansion, and supervision of expenditures.

The history of mining in Ontario is replete with examples of mining municipalities, and their attendant adjacent settlements, which have been established without any active or effective control in respect of their location, buildings, or adequate provision for protection of health, or other essential services. This haphazard setting up of communities has worked to the serious disadvantage



of many of these communities, to the mining industry and to the Province.

This Commission is convinced that Improvement Districts, so erected in the incipient stages of prospecting or other mining activity in unorganized districts, would largely eliminate the detrimental aftermath which often follows the indiscriminate establishment of mining communities in such districts. The erection of Improvement Districts would facilitate the formulation of policies for preventive measures, rather than often extremely difficult measures of correction made necessary by uncontrolled townsite development.

Location of  
Townsites.

**2. That the choice of location for townsites be governed by consideration of the following conditions, viz:**

- (a) Investigation of the necessity for a townsite area.
- (b) A study of the possibilities of a neighbouring municipality fulfilling the requirements.
- (c) When the necessity for a new townsite area has been conceded, study topography and sub-surface conditions and recommend the most suitable location having regard to the following:
  - (i) The most favourable sub-surface conditions to obtain basements for buildings and underground pipeline services at a minimum cost.
  - (ii) Favourable slopes on streets for drainage and sewerage installation, also consideration of the flow of sewage to a suitable site for proper disposal.
  - (iii) Availability of a satisfactory domestic and other water supply.
  - (iv) Favourable location in respect to fire hazards.
  - (v) Proximity to operating mines with consideration given to local transportation facilities.
  - (vi) Existing means of transportation such as highways, railways and navigable waters having regard to possible establishment of industries other than mining.
  - (vii) The possible extension of initial townsite to provide for future expansion.

From personal inspection of mining municipalities in Northern Ontario, and from the evidence adduced before it, pertaining to the early history of such municipalities, this Commission is convinced that the difficulties experienced in the adequate financing, functioning and stability of many municipalities can, in a large measure, be attributed to improper selection of the initial townsite area.

Reasonable explanations can be advanced to account for the past haphazard location of mining townsites without due regard to the services which must be rendered to residents. In the early stages of intensive mining activity in any new area many persons are attracted from many places, and, among such persons, there are few who, at the outset, have any planned intention of becoming permanent residents. Their future need for ordinary municipal services is subjugated to the more immediate objective of participating to the fullest, and in as brief a period of time as possible, in the benefits, sound or otherwise, evolving from the excitement of a new mining boom. Generally speaking, the early residents of a new mining community give little thought to possible permanency of a mining townsite, or to future requirements of same in respect of municipal services. Shacks, lodging houses, tents, etc., quickly erected on the spot most convenient to the centre of mining activity, have been the order of the day. Land speculators also, generally having no regard to the future of the area, excepting as it might further their personal activities, have played a prominent part in the unsound selection of townsite locations.

The experience of the Town of Cobalt in its birth and development as a townsite, as submitted to this Commission in "brief" form, is an outstanding example of improper selection of the initial townsite area. Following a most interesting description of the destructive effects of such townsite selection and planning, the Corporation of the Town of Cobalt, concludes in part by saying: "The conclusions arrived at after perusing the foregoing review of conditions existing in Cobalt Camp during its early years, must be that little or no concern or care was exercised in the interest of life, health or property in the Community". These conclusions have, in the opinion of this Commission, been justly arrived at.

There are essential factors which should be given the fullest consideration before a decision is reached in respect of the choice of location of a new mining townsite area. Among these are subsoil conditions, water supply, topographical features, and the proximity of

townsites to known or indicated deposits of minerals in the area to be served.

The selection of the townsite location of Cobalt could hardly have been worse in respect to the influence of the factors mentioned above. Particularly distressing was the location being almost entirely underlain by rock with little if any subsoil covering, and the generally rugged topography. Other examples of improper selection of townsites are found in the location of the Townsites of Kirkland Lake and South Porcupine. Here again conditions are similar in many respects to those of Cobalt, where a townsite area was located without due regard to subsoil, topography, etc.

A more recent outstanding example of unsound choice of townsite location is evident in the Town of Geraldton, in the Little Long Lac Mining Area. Here, the evidence before this Commission indicates, that the greater part of the townsite was erected on muskeg of several feet thickness, with no adequate drainage or provision for proper disposal of sewage; that insufficient consideration was given to water supply and fire protection. The location of this townsite is such that this Commission suggests serious consideration be given to the complete removal of buildings and residents to some other more suitable, carefully selected site, depending upon availability and proximity to mining operations in the area.

The haphazard selection and planning of mining townsites is not in the best interests of the people of this Province, the mining industry or the mining municipalities. It is a means of discouraging settlement in mineral areas, and of destroying the morale of those resident in such areas. It is an invitation to the hazards of disease and property damage, and, as previously stated, is often a dominant factor in financial difficulties experienced by a municipality during its development and later life.

Require Plan  
and  
Approval by  
Qualified  
Engineer.

3. That prior to the staking of any townsite area into streets and lots, a contour plan of an area tentatively showing a layout of at least 500 building lots, each having an area of at least 5,000 square feet, be prepared (only a portion of which would be laid down on the first plan to be registered in the Land Titles Office), and that an accompanying report be prepared setting forth the availability of suitable water supply, possible means of sewage disposal, and the suitability of adjacent lands for further townsite expansion, with such plan and report to be submitted to the Minister of The Department of Municipal Affairs for approval, and that the plan shall not be approved until a qualified

municipal engineer representing the Province has personally examined the proposed townsite area and reported thereon to the Minister of The Department of Municipal Affairs.

The above recommendation is an enlargement of the recommendation for the purpose of defining initial area of a townsite, by making Provision for the filing of a plan and report to be approved by a qualified municipal engineer representing the Province. Under such conditions there should be little likelihood of improper choice being made of townsite location and the Department of Municipal Affairs, responsible for the supervision of the new townsite, would have on record sound information upon which to base its policies in respect of the individual municipality.

This recommendation suggests that provision be made for an initial survey and the tentative planning of an area in excess of the initial requirements, for the purpose of discouraging squatters, and that the individual lots be of such size as to provide reasonable "living room" for residents who will own or occupy homes.

4.—(a) That in lieu of the Province retaining one lot out of each four lots in a plan of sub-division of a townsite area, as now provided for under existing legislation, provision be made that a price of \$35.00 per lot shall be payable to the Province by the land owner, at the time of registration of the approved plan or any portion thereof.

Sale of  
Lots.

(b) That where the land owner has submitted a tentative plan of sub-division, involving a layout of at least 500 building lots in the prescribed area, and after the approval of such plan by the Minister of The Department of Municipal Affairs, he shall be allowed to deduct from the amount payable to the Province, as in (a) above, a sum for each lot, which sum shall be determined by dividing the total cost of the plan of the complete sub-division, including cost of survey of land not available for sub-division, by the total number of lots in the said sub-division, to compensate for the cost of the plan, such cost to be approved by the Minister of The Department of Municipal Affairs.

Allow Cost  
of Plan.

(c) That the net amount accruing to the Province, from the sale of lots in a sub-division for townsite purposes in any area, shall be set aside, into a Municipal Improvement Fund, to be employed as directed by the Minister of The Department of Municipal Affairs, in the development for townsite purposes of the particular area from which such monies derive.

Municipal  
Improve-  
ment Fund.



Under existing legislation, where a mining townsite is erected, and sub-divisions are made containing lots to be sold, title to one in each four such lots is retained by the Province which may sell or otherwise dispose of same at its pleasure. The remaining lots can be sold by the owner at any obtainable price and in any manner he deems fit. The evidence before this Commission indicates that existing conditions in this respect are unsatisfactory, and a deterrent to sound municipal planning and development. As an example, there can be no municipal tax on one out of four lots as long as such lots are held by the Crown. There have been instances where two or more speculators in mining townsites, have sub-divided and sold lots in different sections of a townsite without any co-ordinated overall townsite plan, to the detriment of the townsite development and the purchaser of lots.

The lands comprising a mining townsite in Ontario are generally acquired under the Mining Act and its provisions for staking and patenting mining claims. Patents are granted at a cost of \$2.50 or \$3.00 per acre, depending upon location in an unsurveyed or surveyed district, and are issued for the purpose of developing such claims for mining purposes. Where these lands are thus acquired, and diverted from the use for which they were intended to that of building lots in a townsite, it would seem reasonable that the owner of such lands should be required to submit to additional regulations, and to pay a purchase price additional to that required to obtain patent for mining purposes.

Board of  
Trustees  
Appointed.

**5.—(a) That The Municipal Act be amended with respect to the erection of Improvement Districts to make provision for the following, viz:**

**That where an Improvement District is erected to include:**

- (i) An area without municipal organization or,
- (ii) An area where there is not more than one existing municipality and such municipality is absorbed by the Improvement District, the Board of Trustees shall be composed of 5 members rather than 3 as now provided for under The Statutes of Ontario 1943, Chapter 16, Section 1, An Act to Amend the Municipal Act.

Under existing provisions of the legislation governing the erection of Improvement Districts in Ontario, a Board of Trustees composed of three members is appointed by the Lieutenant-Governor in Council to administer the affairs of the District.

From a study of available information, pertaining to the early stages of development of mining municipalities in Ontario, this Commission has concluded that the interests of such municipalities could best be served by the appointment of a governing authority having knowledge of municipal affairs, and under the supervision of the Department of Municipal Affairs.

Seldom in the birth and initial growth of a mining community are there found residents who are municipally inclined, and have the necessary experience to properly design the sound foundations essential to successful municipal structure. The design of such foundations should be the function of persons experienced in the layout, development and government of municipalities. This Commission is of the opinion, that for best results the initial governing body of an Improvement District, where such district absorbs no, or not more than one existing municipality, should be composed of five members some of whom should be familiar with conditions particularly applicable to the area established as a District. While the evidence indicates some divergence of opinion in respect of the length of time necessary for an appointed Board of Trustees to function, before residents of a District exercise their democratic privilege of government by elected representatives, there appears to be general unanimity of opinion in respect to the need of an appointed body to function for a period of at least one year, following the erection of an Improvement District, no matter what the population of the District may be.

**(b) That the appointed trustees be the administrative body until there is an assessed population of at least 500 following which the ratepayers may, through a plebiscite, upon petition of not less than 25% of the assessable population, decide to elect trustees, but in any case the appointed board to function for a period of at least one year even though the assessed population exceeds 500 when the board is first appointed.**

Where the population of an Improvement District exceeds 500, provision should be made for the taking of a plebiscite to determine the wishes of the ratepayers in regard to the continuance of an appointed Board of Trustees, or of a Board composed largely of elected trustees, provided, however, that such plebiscite shall not be taken prior to the expiry of the first full calendar year following the setting up of an appointed Board of Trustees.

**(c) That, when by plebiscite the rate-payers decide to elect trustees to the Board, not more than four of the five members of the Board shall be so elected, with**

Election of  
Trustees.

**the fifth member to be appointed by The Lieutenant-Governor-in-Council, and to be a person having full knowledge of the principal industry in the district, and a resident thereof.**

Where, in an Improvement District in which on erection there is not more than one absorbed municipality, and where the population exceeds 500, the majority of rate-payers favour election of trustees, provision should be made whereby the ratepayers, by plebiscite, can elect four of the five members of the Board of Trustees, and for the fifth member to be appointed by the Lieutenant-Governor-in-Council.

This Commission is of the opinion that where an Improvement District is governed by a Board of five trustees, after deciding to elect trustees, at least one member of such Board should be appointed by the Lieutenant-Governor-in-Council rather than elected, and that the member so appointed should be representative of the chief industry in the District, having full knowledge of the existing conditions of such industry, and of its probable future life and development. From the information before this Commission it is indicated, that in some cases where municipal governing bodies are elected, measures involving capital and other expenditures are adopted without due regard to the problems pertaining to the immediate condition, or probable future of the industry, on which the municipality is largely dependent for tax revenue, and for the servicing of which it was erected.

Secretary  
Treasurer.

(d) That a secretary-treasurer be appointed by the Board of Trustees who is not a member of such Board, and that the duties and powers of such appointee be as presently defined under The Municipal Act, R.S.O. 1937, Chapter 266, Section 44b, s.s. 3.

Remunera-  
tion.

(e) That provision be made for remuneration of the trustees at a rate to be fixed by The Municipal Board.

Divide into  
Wards.

(f) That provision be made for an Improvement District to be divided into wards, by order of The Municipal Board, at the time of its establishment, or at any subsequent time by By-law of the Board of Trustees, when approved by a majority of the rate-payers.

In recommending that provision be made for the division of Improvement Districts into wards, this Commission has in mind Districts which may embrace several established communities. The requirements for municipal services in such communities, in respect of roads, water supply, sewers, etc., may vary greatly, and it may

be found impossible or impracticable to serve all in the same manner. In the event of such conditions, the division of an Improvement District into wards should facilitate a fair and equitable apportionment of improvements, based on the need of any community, and the ability of such community to pay for the improvements, and prevent undue taxation of one portion of the District for the benefit of other portions.

(g) That The Municipal Act specifically state that <sup>Local</sup> <sup>Improvements.</sup> The Local Improvement Act shall apply to all Improvement Districts.

The recommendation for bringing the Improvement Districts under the Local Improvement Act is complementary to that made for the division of Districts into wards, as a further precaution against undue taxation on one section of the District for the benefit of other sections.

(h) That where the population does not exceed 2,000 <sup>School</sup> <sup>Sections.</sup> school affairs shall be administered by the Board of Trustees of the Improvement District, and to provide that where there is an existing school section or sections in the area established as an Improvement District, the function of the school board or boards shall be assumed by the Trustees of the Improvement District.

(i) That where the population of an Improvement District is in excess of 2,000, a board or boards of school trustees may be set up when authorized by a majority of the rate-payers by plebiscite, on petition of at least 25% of the assessed population.

In recommending that the affairs of school sections in an Improvement District, where the population does not exceed 2,000, be supervised by the Board of Trustees for the District, this Commission believes, that unless the population exceeds this figure, school matters can be adequately administered by such Board. Provision has been made for setting up of school boards in more thickly populated districts when requested by a majority of the rate-payers.

6.—(a) That where there is not more than one existing municipality in any one mining area, for example the Municipalities of Geraldton and Larder Lake, and it is not deemed advisable to extend the boundaries of such municipalities, then such municipalities should be dissolved, pursuant to the provisions of Section 44e, Municipal Act, 1943, and such territory, together with any additional territory as determined by the Minister of Municipal Affairs, and approved by the Minister of Mines, be erected as an Improvement District, which <sup>Erection of</sup> <sup>Improvement</sup> <sup>Districts.</sup>



**will include within its boundaries such operating mines as shall be determined by the Minister of the Department of Municipal Affairs, and approved by the Minister of Mines.**

Municipalities, such as Geraldton and Larder Lake, have been established in unorganized mining districts where operating mines have been developed but are not included in the municipal area. Such municipalities generally supply a large portion of the mine employees and their dependents with necessary municipal services, for which they receive no established direct or indirect financial compensation. Under the Mining Tax Act, and the Assessment Act, R.S.O. 1937, provision is made whereby municipalities within whose areas there are operating mines, receive a substantial portion of the royalty tax levied on the mines by the Province, in lieu of municipal tax on buildings, plant and equipment used for mining and mineral production purposes, or on operating income. (Ref: The Assessment Act, R.S.O. 1937, Chapter 272, Sec. 39 and The Mining Tax Act, R.S.O. 1937, Chapter 58, Sec. 13).

The logical conclusion is, that those municipalities which receive no revenue from mines for which they supply municipal services are at a great financial disadvantage, in comparison with those municipalities which have operating mines within their municipal area.

Conditions also are such, that, in some cases, mining companies establish their own communities in the immediate area of the mines, and often closely adjacent to or within a short distance of an established municipality. Such mining companies usually make provision for health, education and other ordinary municipal services, with the objective of providing for a portion of their employees and their dependents. Conditions vary in different mining communities, but, generally, the services provided by the mining companies are far from being adequate to supply more than a small proportion of their employees or their dependents. The excess becomes the responsibility of the municipality.

The evidence before this Commission indicates, that in the providing of ordinary municipal services and the requirements for health by a mining company, in a community adjacent to an established municipality, there is frequently a costly duplication and inadequacy of services which could be corrected through the absorption by the municipality, for municipal government purposes, of all mining communities within a reasonable distance of such municipality. This Commission recognizes the necessity for mining companies to erect buildings

and to supply necessary services for key employees, who must be quickly available at all times, and these requirements should be provided for in any absorption of a mining community into an Improvement District or municipality.

(b) That where an Improvement District is being established embracing an area in which are located mines which have made expenditures for permanent improvements, such as water works, streets, sewage disposal and other services generally supplied by a municipality, and where such permanent improvements are absorbed by an Improvement District, the latter shall compensate such mines for the cost of such improvements in a manner approved by The Municipal Board.

Compensate  
for  
Permanent  
Improvements.

In some established mining communities which this Commission has recommended be absorbed into an Improvement District, mining companies have made expenditures for permanent improvements, of a municipal nature, which it may be found desirable or necessary for the District to acquire for its adequate functioning. In all such cases full provision should be made for compensation of the mining companies for the cost to such companies of these permanent improvements, with such cost to be approved by the Municipal Board.

7. That in the erection of Improvement Districts in a mining area, the establishment of townsites, the appointment of trustees, authorization of capital expenditures, or any other procedure which affects the successful functioning of the Districts, the Minister of The Department of Municipal Affairs shall at all times actively seek the co-operation and approval of the Minister of the Department of Mines or the Ministers of any other Government Departments whose interests are affected thereby.

Co-operation  
between  
Government  
Departments.

In all matters pertaining to the erection of Improvement Districts and their administration in mining areas, this Commission believes that best results can only be obtained where there is full co-operation between all government departments having interests in any phase of, or any factor which affects, sound functioning or stability of a mining municipality. While it is believed that supervision of municipal or Improvement District government can best be accomplished by the Department of Municipal Affairs, this Commission is firmly convinced that the helpful co-operation of the Department of Mines, particularly in matters relating to choice of townsite location and measures dealing with townsite development, is essential. Also essential are the factors

which come within the particular fields of the Departments of Education, Health, Highways, Lands and Forests, etc. Without the full co-operation of such departments, it is not believed that the policies of erection and development of Improvement Districts can attain the desired fulfillment.

Appointment  
of  
Investigat-  
ing Officer.

8. That an official with municipal engineering and also mining experience, approved by the Ministers of the Departments of Mines and Municipal Affairs, be appointed with the rank and remuneration of a deputy minister to serve in the Department of Municipal Affairs, for the specific purpose of investigating and reporting to the proper government authorities on matters enumerated in the foregoing recommendations, and in all other matters affecting the municipal welfare of any mining community in the Province of Ontario, in order that, at all times, the affected government departments will have available all essential information concerning the problems of all mining municipalities, and also on probable future mining developments which may affect the stability and life of such municipalities. That the duties of such official shall include:

(a) Determining the expectant productive life of a mining area on which a municipality must depend for its stability and life.

(b) Acting as a mediator between government departments, municipal governing bodies, and the mining industry.

(c) Recording and making available at all times, to the said affected Departments, all essential information pertaining to the problems of the mining industry and their probable effect on municipal affairs in all mining areas.

(d) Promote co-operation between the mining industry and municipal governing bodies to the best combined interests of both.

(e) Advise on the creation of reserve funds by a municipality for employment when necessary during periods of inadequate municipal revenue.

(f) Investigate the need for and effect of the recommendations made by this Commission, in all mining municipalities or communities, and be responsible for their proper execution, and report to and advise the proper government authorities on all other matters affecting the welfare of such areas.

From the evidence before it, this Commission is convinced of the need for an official in the Department of Municipal Affairs, whose duties shall be specifically confined to matters affecting mining municipalities. The person so appointed should have considerable municipal engineering and mining experience, with qualifications which will meet the approval of both the Minister of Municipal Affairs and the Minister of the Department of Mines. He should be authorized to make investigation into all matters affecting the welfare of any mining community, municipality (or Improvement District) in Ontario, and to report his findings to the Minister of any government department.

This Commission believes that the person so appointed could render valuable assistance to the Department of Municipal Affairs and to the Province, and that a real and urgent need exists for the adoption and immediate application of its recommendations in respect of this appointment.

9.—(a) That pending the adjustment of taxation as recommended in Part III of this Report, presented for the purpose of evolving a sound overall tax structure for the mining industry, the Ontario Government continue its policy of providing financial assistance to those mining municipalities which can satisfy the Minister of The Department of Municipal Affairs of their need for such assistance, and that such grants be paid according to the existing need, subject to the budget of expenditures and rates of taxation to be levied by such municipalities being approved annually by The Department of Municipal Affairs.

Financing  
Existing  
Mining  
Municipalities.

(b) That the Government of Ontario make strong representation to The Dominion Government with a view to the adoption of the recommendations of this Commission applicable to Dominion taxation policies, and that every effort be made to evolve a sound overall tax structure for the mining industry in Canada as promptly as possible.

**Factors  
affecting  
revenue**

The financing of existing municipalities which have operating mines within their municipal boundaries, and therefore derive substantial revenue under the Mining Tax and Assessment Acts, presents a problem which this Commission believes can only be solved by the erection of a sound overall taxation structure for the mining industry. The Corporation of the Township of Teck, which is the municipal governing body in the Kirkland Lake Area, is an outstanding example of such municipalities.



Conditions have developed which have resulted in a serious decline in revenue received by this municipality, thereby placing it in a difficult financial position involving default on debenture interest payments, and inadequate finances to function satisfactorily in all phases of supplying municipal services. Factors to which such conditions are attributed are many and varied. They include particularly, decrease in taxable population, due in part to the emergency of requirements for war purposes,—decline in business activity in the area, and very substantial decrease in revenue from the royalty tax levied by the Province on mines, resulting in a marked decrease in the amount of the municipality's share in such tax as provided for under the Mining Tax Act and Assessment Acts, R.S.O. 1937.

**Clause "J"**     Apart from the decline in gold production subject to the Provincial royalty tax, resulting from war conditions, increasing Dominion taxation on the income of the mines in the area has been the main factor in the decline of municipal revenue. Under the Mining Tax Act, R.S.O. 1937, Chapter 28, Part I, Section 4, s.s. 3, Clause "J", mines in Ontario are allowed as a deduction before assessment under this Act, taxes paid annually to the Dominion on income from mining operations. The here referred to Clause "J", reads as follows:—

"All taxes payable or profits taken under any Act of the Parliament of the United Kingdom (in so far as the same are referable to operations carried on in the United Kingdom) or of the Parliament of the Dominion of Canada, upon or from the profits of the mine or mining work or from the profits made in smelting, refining or otherwise treating any of the products of the mine or mineral work."

In Part III of this Report, reference is made to the increase in the rates of the Dominion Tax on income of the mines from 4%, when the Dominion Income War Tax Act was enacted in 1917, to a present combined minimum rate of 40% under this Act and the Excess Profits Act of 1940. This increase has had the effect of throwing the Mining Tax Act of Ontario completely out of balance to the serious detriment of provincial and municipal revenue. Reference is also made, in Part III of this Report, to legislation enacted in 1943 as an amendment to the Dominion Income War Tax Act, which would eliminate clause "J" from the Mining Tax Act, for the purpose of providing financial assistance to municipalities such as the Township of Teck. Mention is made of suggestions for further amendments to the Mining Tax Act for the purpose of conforming with and

implementing the above mentioned Dominion legislation, and to the consideration which this Commission has given to such suggestions. A condition exists which unquestionably calls for correction, but this Commission recognizes the fundamental fact, that as successful mining industry is the first essential of a successful and stable mining municipality, and that any measures which are designed for alleviation of the financial embarrassment of a municipality must have regard to their immediate and long term effect on the industry.

This Commission believes any policy to be basically unsound which would involve changes in the underlying principles of a well designed Act, the merits of which are proved by its stability and effectiveness over a long period of time, to conform with provisions of the unstable Dominion Income War Tax Act, which, since its enactment, has been subject to drastic and unpredictable changes depending upon changing and often temporary conditions. From a study of the evidence before it this Commission has concluded, that no such changes in the Mining Tax Act of Ontario should be considered unless they are to be effected as a part of an overall, carefully and intelligently co-ordinated plan, designed for the purpose of evolving a sound and stable tax structure for the mining industry which will assure the long term, successful and most advantageous development of that industry. Any contemplated division or distribution of tax revenue from a non-successful industry is so much wasted effort, and this Commission is convinced, that unless the present overall burden of taxation on the mining industry is promptly and drastically reduced the mining industry will be found in this category in the readily foreseeable future.

**Grants Paid  
to Mining  
Municipalities**

In 1942, mining municipalities, in the Porcupine and Kirkland Lake areas of Northern Ontario, encountered financial difficulties due largely to the decrease in the Provincial revenue under the Mining Tax Act, and the consequent decrease in the amount of revenue derived as the municipal share of that tax. Recognizing the position of the municipalities, a number of gold mining companies voluntarily agreed to a temporary additional municipal tax, which resulted in the municipalities receiving some \$53,000, in addition to their share of the mining tax. According to the information before this Commission, this arrangement made between the mines, the Ontario Government and the municipalities, was to meet the then existing emergency and was applicable only to the year 1942.

The evidence before this Commission indicates that in 1943 the emergency still existed, and had become further

intensified by the war time taxation policy of the Dominion Government resulting in a partial "pay as you go" form of taxation. As a consequence mining companies paid their Dominion taxes for the previous fiscal year and a portion of their current year's levy, in the current calendar year. The total amount thus paid was, under Section 4, sub-section 3, clause "J" of the Mining Tax Act, a deductible item in calculating the Ontario Tax. The deduction by mining companies of this total amount would have further and drastically reduced the revenue of the municipalities and the Province. The mining companies agreed to temporarily forego their right to the full deduction and agreed further, to make the same contribution to the municipalities, on the same basis and under the same condition, as in 1942.

These temporary arrangements were for the purpose set out in the brief of the Ontario Mining Association to this Commission, as indicated by a letter from that Association to the Minister of Mines from which the following excerpt is taken:—

"The whole proposed arrangement is of course understood to be a tentative one for one year and voluntarily entered into for the purpose of assisting the municipalities directly concerned as well as the Province of Ontario, and for the purpose of postponing any necessity for legislative enactment until such time as the whole question of mine taxation may carefully be studied and an overall equitable plan evolved that will we hope carry the judgment of all parties concerned."

The Ontario Government also made provision for financial assistance to the financially embarrassed municipalities in the Porcupine and Kirkland Lake areas. In 1942 these municipalities received an additional educational grant totalling approximately \$75,000. This added to the contribution from the mines brought the combined additional payments to the municipalities to \$127,760.86.

In 1943, the Government made special grants to the municipalities in the above areas totalling \$176,535.86, in lieu of the adoption of the Dominion legislation for assisting municipalities, which would have necessitated the elimination of clause "J", sub-section 3, section 4 of the Mining Tax Act, and paid a further additional educational grant of approximately \$75,000. These grants combined with the contribution from the mining companies totalled \$304,296.72 representing the amount received by the municipalities in excess of that which

would have ordinarily accrued to them under existing Provincial legislation.

It will be noted here that the Government of Ontario did not deem it to be in the best interests of the Province to enact implementing legislation, to conform with Dominion legislation under the Income War Tax Act, designed for the purpose of alleviating the financial position of mining municipalities.

This Commission has recommended, that until such time as the Dominion Government provides assurance that it will co-operate with the Province, the municipalities and the mining industry, in the formulation of policies from which will evolve a sound overall mining taxation structure, the Province continue its policy of assisting mining municipalities, such as the Township of Teck, according to their accepted needs. At the same time, this Commission strongly urges that the Government of Ontario put forth its best efforts to have the recommendations in Part III of this Report, which pertain to Dominion policies of taxation, adopted by the Federal authorities. With the adoption of these recommendations, and assurance of stability of sound and constructive Dominion taxation policies, this Commission believes that a successful mining industry will result, and the way be opened for measures which will automatically eliminate the financial difficulties of all mining municipalities.

(c) That where any municipality which renders municipal services to employees of mines in the district in which it is located, and where such municipality has no operating mines within its municipal area, provision shall be made for financial assistance according to the existing need of such municipality, subject to the budget of expenditures and rates of taxation to be levied by such municipality being approved annually by The Department of Municipal Affairs.

Municipalities Deriving no Revenue from Provincial Tax on Mines.

The evidence before this Commission indicates, that in certain mining districts of Ontario there are municipalities which supply municipal services to employees of mines in such districts, but, having no operating mines within their municipal area, derive no revenue from the Provincial royalty tax on mines.

With such municipalities the need for financial assistance may at some time develop. Where, after examination by the Department of Municipal Affairs into all factors involved, such need is accepted, and where such municipalities have their budget of expenditures and rates of taxation to be levied approved by the Depart-



ment of Municipal Affairs, this Commission believes any financial assistance which may be given should derive from the revenues to the Province, under the provisions of the Mining Tax Act.

Porcupine  
District.

(d) If under the existing legislation it is deemed advisable to bring about the amalgamation of the various sections of the Porcupine District into one municipality, it is recommended that the terms of the amalgamation be determined by a Judicial Commission appointed for that purpose by the Lieutenant-Governor-in-Council.

Although this Commission does not recommend such an amalgamation, it recognizes that such an arrangement would help to solve the equitable distribution of the tax revenues derived from the mines of the District, having regard to the services rendered by and the needs of each section.

Taxes when  
Severance of  
Mineral  
Rights.

10.—(a) That Section 39, S.S. 8, of The Assessment Act be amended to provide for the assessment by municipalities of inactive or unproductive mining lands within the municipal area where the mineral rights have been severed from the surface rights, and that the municipality shall levy an annual tax not exceeding twenty-five cents per acre against the holder of such mineral rights, and the holder of surface rights shall be assessed on the proper value of the land as determined under the existing legislation, less the amount assessed against the mineral rights.

(b) That Section 39, S.S. 10, of The Assessment Act be amended to provide that where severance of mineral rights has been effected and both the mineral and surface rights are held by the same person, such person may apply for and obtain a cancellation of said severance.

This Commission finds, that, in some municipalities, privileges granted under the Statutes of the Province, in respect to severance of mineral rights from surface rights of properties in mining districts, have been abused by persons whose objective in making such severance is to escape municipal taxation. The owner of a mining property in a municipality may transfer the surface rights to any person and continue ownership of the non-taxable mineral rights, thereby creating two estates only one of which can be taxed by the municipality so long as there is no income from mineral production. In this way municipalities are sometimes burdened with substantial non-productive property holdings within the municipal area which, while taxable in respect of the

surface rights, produce no tax revenue owing to the owner of such rights allowing same to be seized by the municipality for tax arrears. Such surface rights often have no sale value when severed from the mineral rights. These non-revenue producing properties share in the benefits deriving from municipal improvements, and at all times are the responsibility of the municipality in respect of fire and other hazards.

It is not suggested by this Commission that the assessed value of mineral rights of a property should bear any relationship to the value, problematical or otherwise, of any minerals on or below surface. The recommendation gives consideration to assessment of such property only as wild or non-productive land, in order that the severance of mineral rights to escape municipal taxation may be discouraged.

This Commission is of the opinion that when severed mineral rights and surface rights are owned by the same person, provision should be made for such person to apply for and obtain cancellation of the severance. The purpose of the recommendation covering this is to provide for taxation of the combined holdings as a mining property in the event of successful mine development.

**11. That Section 39, Sub-section 6, of The Assessment Act, R.S.O. 1937, Chapter 272 and amendments be amended to provide for the following, viz:**

**That income of a corporation from a mine or mineral work shall be assessed by the mine assessor, under The Mining Tax Act, and the tax leviable thereon as defined under Section 39, Sub-section 9, of The Assessment Act shall be paid to the municipality in which such mine or mineral work is situate: Provided that the municipality shall have the right of appeal to the Minister of Mines who may direct the Judge of The Mining Court to make an investigation and report.**

Assessment  
by Mine  
Assessor.

Municipalities  
Right to  
Appeal.

Sub-section 6, Section 39 of the Assessment Act, R.S.O. 1937, Chapter 272, provides for the assessment by the municipality of income from mining operations within the municipal area. Evaluating assessable income of a mine is a highly technical affair. Throughout the history of mine taxation in Ontario such assessment has been made by the mine assessor under the Mining Tax Act. This Commission can see no justifiable reason for altering the established practice and recommends its continuance, with the elimination of the confusion now indicated by the provisions of the above legislation.

12. That provided municipalities again enter the field of taxation on income, provision be made under The Assessment Act, R.S.O. 1937, Chapter 272, for the following:

(a) That Section 4, S.S. 18, of The Assessment Act, R.S.O. 1937, Chapter 272, be amended, with provision made to include the exemption of dividends or income from stock held by any incorporated mining company in any other mining company, the income of which is liable to assessment under the taxing statutes of any province in Canada.

The field of municipal taxation on income has been surrendered to the Dominion for the duration of the war, but may revert to the municipalities after the present emergency.

Section 4, s.s. 18, Chapter 272, of the Assessment Act, R.S.O. 1937, provides, that where a municipality assesses income of a corporation, dividends or income from a stock held in an incorporated company shall be exempt from municipal income tax when such income is liable for assessment in Ontario, excepting where such dividends or income are assessable under the Corporations Tax Act.

Some mining companies, operating or with head offices in Ontario, have developed mines in other provinces and hold control of the stock, and administer the affairs of subsidiary companies incorporated under the laws of such provinces or the Dominion to develop such mines. The income of such subsidiary companies is assessable by, and the tax thereon is payable to, the province in which the operations, for which such companies were incorporated, are being prosecuted.

In the opinion of this Commission, there would appear to be no justification for such already provincially taxed income being made liable for municipal taxation, when any part of such income accrues to a mining company whose head office is located in an Ontario municipality. The development of new mines in any part of Canada is of national importance, and the exemption now provided in respect of municipal tax on income from mines in the Province of Ontario should be extended to include similar income deriving from any mine developed in Canada. The operations of and income from mines developed in other provinces frequently comprise an integral part of the operations of a mining company whose chief place of business is in Ontario, and thus should not be divorced from the operations of such a company and made subject to separate and additional taxation.

(b) That, subject to the above recommendation (a) becoming effective, Section 10 of The Assessment Act, R.S.O. 1937, Chapter 272, be amended to provide for the following:—

- (i) That the head office of any mining company shall for municipal income tax purposes be deemed to be located in the municipality within which the operating mine or mineral work is situate.
- (ii) Where an incorporated mining company does not itself actually engage in operating a mine or mineral work, but operates through its control in other incorporated mining companies, its income for municipal income tax purposes shall be assessed against the company at its head office.

From information before this Commission it is indicated, that owing to the impost of municipal income tax on revenue derived from a subsidiary company, and from holdings in other mining companies, operating in provinces other than Ontario, some mining companies in this Province have removed their head offices to municipalities where there is assurance of more favourable tax consideration than is indicated by the municipality in which the mine or mineral work of such company is situate. This condition would not appear to be in the best interests of mining municipalities, the Province or the mining industry.

In 1931 legislation was passed known as the Assessment Amendment Act 1931 (Ref: Statutes of Ontario 1931, Chapter 51, Section 5, s.s. 11, 12, 13 and 14) providing for assessment by municipalities of income from rest, reserve or surplus funds, when such funds were derived from the profits of a mine or mineral work, and for the assessment of such income by the municipality within which such mine or mineral work is situate. This legislation was never proclaimed.

The purpose of the recommendation by this Commission is to make effective and clarify the legislation passed in 1931, and to provide for municipal taxation on non-operating income, other than dividends from mining companies, of mining organizations which engage in the development, control and administration of subsidiary companies while not engaging in the actual operations of mine or mineral development.



13. That municipal governments in mining areas study the possibilities for the development of natural resources in such areas, other than those under development by the principal industry, so that a community may be maintained after the developed mines become exhausted and thus avoid rehabilitation problems, also that the development of such resources may contribute to the economic welfare and stability of the municipality.

A study by this Commission of the history of the life of mining communities in this Province, indicates that in too many instances such life is disrupted when the mineral resources which led to the erection and development of the community become exhausted. It is felt that serious consideration should be given by all municipal governing authorities, and by the Province, to the possibilities for the successful development of other natural resources in municipal areas, not only for the purpose of avoiding rehabilitation problems, but in order that there may be a co-ordinated development of all natural resources within the area, as a contribution to economic welfare and stability.

With greatly improved transportation, power and other facilities in mineral areas, compared with conditions when municipalities were first erected in such areas, and with the progress which has been made in the use of forest and other products from natural resources, formerly non-existent development opportunities may be made available. The intelligent study of such possibilities could result in developments of national importance.

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**Conclusion:** In presenting the above recommendations and reasons for same, this Commission is fully conscious of the fact that, generally speaking, mining municipalities in this Province require greater municipal income under prevailing conditions than is provided for under existing legislation, in order that they may function to the best interests of the areas they serve, the mining industry and the Province. It is recognized also, that mining municipalities are generally established and developed under conditions not found in other than mineral areas, and that the stable economic life of such municipalities depends largely on the success of an industry which, in turn, is definitely dependent upon exhaustible natural resources.

Having accepted the general need of increased municipal income for mining municipalities, a study was made by the Commissioners of the factors contributing to such need. It was found that while the inequitable distribution of tax revenue, between the three main taxing bodies, brought about by the unsound policies of Dominion Taxation, was the chief immediately contributing factor to the present unsatisfactory conditions, and that while many of the difficulties could be attributed to

the temporary emergency of the present war, there were other deep seated, continuing and readily preventable factors which have influenced the economic life of mining municipalities since their birth, and through the whole of their development.

After careful study of the historical aspects of the establishment of mining municipalities, attended by personal inspection of existing mining townsites, this Commission has concluded, that proper selection of townsite location, with adequate and active supervision of the layout, development and early expenditures of mining municipalities, would have very materially lessened, if not entirely prevented, the later development of financial distress. For this reason, considerable attention has been given to recommendations from the adoption of which there may evolve policies of intelligent "birth control" for such municipalities, along with policies for sound initial municipal guidance during adolescence, and continuing active and skilful supervision of financial policies throughout the life of the municipality. Through the adoption of such policies, municipalities and mining communities should escape bankruptcy in middle age, and the fate of a pauper in their declining years.

Very serious consideration has been given by this Commission to suggested remedies which might be experimented with, in an effort to find a cure for the immediate, and, it is hoped, temporary financial distress of mining municipalities. Such remedies involve the implementing, by Provincial legislative enactments, of the legislation enacted in 1943 by the Dominion Government and designed to assist municipalities, with no adequate consideration given to the effect on the Province or the mining industry. Such provincial enactments would place the Government of this Province in the position of being a party to tinkering or experimenting with a condition, which, in the opinion of this Commission, clearly indicates the need of a major operation.

Mining municipalities are an integral part of the mining industry. The latter is dependent on such municipalities for services which it would otherwise have to provide. Conversely these municipalities are generally dependent upon the industry for their very existence. These conditions call for the closest co-operation between the municipalities and the industry, so that the combined interests of both may be soundly and intelligently served. This Commission feels, that insufficient consideration is sometimes given to this essential factor of co-operation, and that it should be a function of the Government of this Province to promote active and full co-operation at all times between all parties interested in or affected by the development and stability of mining municipalities. In such promotion it is of primary importance, that clear recognition be had of the fact that a sound and successful mining industry is fundamental to a successful mining municipality.

This Commission fully endorses the recently announced policy of the Ontario Government in respect of provision for instruction in municipal affairs, to those interested in municipal government in Northern Ontario mining communities.

Dated at Toronto, Ontario  
September 6th, 1944.





REPORT  
of the  
ROYAL ONTARIO  
MINING COMMISSION  
1944

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PARTS V, VI, and VII

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- V. NORTHERN ONTARIO EDUCATIONAL  
POLICIES.
- VI. HEALTH MEASURES IN THE MINING  
INDUSTRY.
- VII. THE PLACE OF MINING IN POST WAR  
EMPLOYMENT.





P A R T   V

NORTHERN ONTARIO EDUCATIONAL POLICIES

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T A B L E   O F   C O N T E N T S

	PAGE
Northern Ontario Educational Policies.....	1
<b>Recommendation</b>	
Haileybury School of Mines to be Reopened as a Technical Institute.....	1
Training Craftsmen.....	3



## PART V

### NORTHERN ONTARIO EDUCATIONAL POLICIES

#### **Recommendation:**

**That the Haileybury School of Mines be reopened as a Mining and Metallurgical Technical Institute, under the direct supervision and control of the Ontario Government.**

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The mining centres of Northern Ontario have provided excellent educational facilities for both the youth and the adults of the district, both in vocational and academic training. This has been accomplished in spite of serious handicaps, due to the special circumstances which have presented many problems requiring adjustment.

In consideration of the fact that the Government has recently created a special organization to study our entire educational problem, this Commission has decided to make no recommendations concerning the broader aspects of the educational policy as applied to the mining municipalities, but offers its complete co-operation to them in that regard.

The great majority of the students attending vocational schools have little hope of later attending a university. Many cannot afford the expense, or have little or no desire to spend the necessary time; others are temperamentally and intellectually unsuited to benefit from advanced training. Nevertheless, many of these who have the technical aptitude and the necessary ambition could, and at reasonable cost, be immensely benefited by additional training along technical lines, which would be provided by a system of education which would more particularly emphasize the practical and utility side in the courses. The objective of many of the students is to obtain in a reasonably short time and with a minimum of expense, a specialized technical background that prepares them for available positions in the industry in which their immediate interests lie.

Your Commission is convinced that the North Country has many such potential students, whose adequate technical training would greatly help the mining industry as well as the individual. To this end we recommend the opening of a Technical Institute in Haileybury to provide the training broadly outlined above. In support of its choice of location, this Commission lists the following advantages:

1. Haileybury has, at present, a very well equipped educational plant, suitable for giving the training suggested. There are ample grounds for any extensions which may be required.



2. The townsite of Haileybury is in a very beautiful and healthful location, with ample local accommodation to take care of any probable number of students.
3. The present location is sufficiently close to a variety of mining and metallurgical operations, which could be used as illustrations in the instructional work. It is very desirable and particularly urged that these facilities be actively employed.
4. In the immediate vicinity, the Town of Cobalt has a well built and well equipped high school which, at present, is very much under capacity and which could be utilized if the facilities at Haileybury became inadequate. A study of the possibility of post-war development would indicate that this is not an improbable eventuality.

The Technical Course of this Institute would normally begin at the junior matriculation level and would probably average two years in length. The entrance requirements should, however, be sufficiently flexible to cover the case of a man who showed a good capacity and interest, but who could not quite meet the standard academic qualifications set for entrance.

In this connection it is well to consider the probable post-war conditions. There is, already, evidence of a considerable potential demand on the part of our armed forces for instruction in mining and metallurgical subjects on their return. Many, indeed most of these men, would not obtain the maximum of benefit from any standard university course. They could, however, obtain sufficient technical training at the proposed Institute to prepare them to master—in a mining district and in a reasonable time—such techniques as would be required for samplers, surveyors, assayers, draughtsmen, and similar occupations and also help them to progress more quickly to administrative duties.

It is naturally expected that the Dominion Government would provide the greater part, if not all the expenses required for the instruction of these returned men.

The curriculum of this Institute should not be designed as a prelude to University work but should be of a "terminal" character, complete in itself and specially designed to accomplish the underlying purposes of its formation—namely, an extension of the ordinary vocational training. It should comprise as thorough a grounding in the fundamental sciences of mathematics, physics and chemistry as is possible in the time available, in combination with and contributing to the more particularly technical subjects. The course should properly include elementary mineralogy and local geology, accompanied by an introduction to some of the mining methods and descriptions of metallurgical processes in use in the surrounding districts. These would serve as a background for the purely functional or vocational subjects which would include: scientific prospecting, surveying, sampling, chemical analyses, assaying, draughting, and simple design. It is particularly recommended that the study of the basic sciences should be closely

co-ordinated with and directed to the practical applications in the work in which it is expected the student will subsequently be engaged. Notwithstanding the purely technical aspect of the course, some training in English and the preparation of routine reports is desirable.

While the course is not in any sense to be considered a prelude to the undertaking of University work at an advanced standing, there may very well arise some cases where promising students will be stimulated to proceed with their studies, and, for them, provision should be made whereby this ambition could be attained with a minimum loss of time and expense.

The urgency of the case should be apparent to all. While this Institute would perform a valuable function in normal times, its need will be very great immediately on the cessation of hostilities and probably before that date. Hence, it is eminently desirable that the project should be started and running smoothly as soon as is possible. To this end it will probably be necessary, at the present time, to include the ordinary instruction at secondary vocational school level, which was hitherto given at the Haileybury School of Mines, and your Commission recommends that this be done, and if necessary, at the expense of the Province.

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### **Training Craftsmen**

From the information before this Commission it would appear that preparations being made by universities, government and other authorities, for the accommodation of men returning from the armed services who desire to obtain university training will prove adequate. The foregoing recommendation for the reopening of the Haileybury School of Mines, as a Mining, Metallurgical and Technical Institute, provides for the technical training of returned men so that they may fill responsible positions in the mining industry requiring such training, but are unable or have not the desire or the qualifications necessary to enter a standard university course. Provision is also made for the technical training of youth to fill such positions. In the recommendations in Chapter I of this Report, an effort has been made to make provision for the training of prospectors involving special courses to better fit them for their activities in the post-war period. It is expected that the excellent facilities for vocational and academic training, for both the youth and adults in mining communities in Northern Ontario, will be continued and expanded as the need arises and conditions permit. This is a normal expectancy.

In a somewhat different category from any of those for whom provision has been made or recommended, there will probably be found many men returning to civil life who, for different reasons, will find themselves unable to take advantage of the facilities provided for vocational, technical or general academic education, but who could be very advantageously and permanently employed in the mining industry if trained as craftsmen. At the same time, this would also greatly benefit the industry.

This Commission is aware of the fact that the problem of training craftsmen for such occupations as mechanics, electricians, etc., is being seriously studied by such organizations as the Canadian Institute of Mining and Metallurgy in co-operation with the Dominion Government authorities and the mining industry. The continuation of the efforts of those organizations and individuals engaged in formulating plans which may lead to schools for apprentices in Ontario mining communities, is strongly endorsed by this Commission, which suggests that the Ontario Government actively interest itself in such efforts.

Dated at Toronto, Ontario,  
September 6th, 1944.

## PART VI

### HEALTH MEASURES IN THE MINING INDUSTRY

#### TABLE OF CONTENTS

	PAGE
<b>Health Measures in the Mining Industry.....</b>	<b>7</b>
<b>Recommendations:</b>	
Mass X-Ray Survey.....	7
Miners' X-Rays.....	8
Tuberculosis Not Industrial Disease.....	8
After Care of Sanatoria Patients.....	10
Educational Programme.....	10
Control of Housing.....	11
Care of Indigent Patients.....	11
Establish Health Centres.....	12
Health Units.....	14
Health in Mining Industry.....	15
Workmen's Compensation Act.....	15
<b>Conclusion.....</b>	<b>16</b>





## PART VI

### HEALTH MEASURES IN THE MINING INDUSTRY

#### Recommendations:

1. That provision be made as promptly as possible to inaugurate and continue mass chest x-ray surveys in all Ontario communities by The Department of Health, in co-operation with the municipalities, and that the necessary steps be taken for the proper treatment of persons found to be infected with tuberculosis. <sup>Mass X-ray Survey.</sup>

The following excerpts are taken from a report by Dr. G. C. Brink, Director of the Division of Tuberculosis Prevention, Provincial Department of Health. (Ref: Tuberculosis Prevention as an Economic Factor in the Province of Ontario, 1941):

"Tuberculosis is a dangerous disease. It kills more people than all other contagious diseases together. Its peculiar danger lies in the fact that a person unknowingly may have tuberculosis and hence may infect others before it is discovered. Also, the more advanced the disease the more costly the treatment. It is estimated that a case of tuberculosis, hospitalized in the early stages of the disease, takes less than \$1,000 to treat, compared with \$2,000-\$5,000 for more advanced stages. The importance of early discovery and prompt hospitalization is obvious.

"The protection of the community demands that the tuberculous be isolated and cured, for active tuberculosis at large is a danger to every man, woman and child who comes in contact with it. Since the benefit derived from the isolation of tuberculosis is immeasurably greater than the cost of maintaining indigent tuberculous patients in sanatoria, and looking after their dependents during the same period, society through the public health authorities must assume the responsibility.

"A patient with tuberculosis not only cannot contribute to productive economy, but must usually be maintained out of the productive economy of others: he is a double loss to society. It follows that every case of tuberculosis prevented by present action is a double gain. It is for this reason that many have come to look upon the governmental outlays for tuberculosis prevention as an investment in the present and future productive economy of the nation.

"Since no one can predict where or when or in whom tuberculosis will be found, it is the responsibility of public health authorities to assure the existence of permanent and travelling chest clinics in numbers that are sufficient to co-operate with the family physicians and local health officers in the discovery of tuberculosis."

Miners'  
X-rays.

Under the provisions of the Mining Act of Ontario (Ref. Part VIII—Sections 150-170) and the supervision of the Silicosis Division of the Workmen's Compensation Board, every person employed in dust-exposure occupations in a mine must submit to a chest X-ray examination before he is permitted to engage in such occupation, and where diseases of the respiratory organs are found such permission is refused. By this plan and subsequent periodic examination a record is obtained of all such persons and the proper steps can be taken for their treatment.

Tuberculosis  
Not  
Industrial  
Disease.

Tuberculosis cannot be considered as a disease peculiar to persons engaged in mining or any other particular industry. It is prevalent throughout the Province and the Dominion and its control and cure is of national interest. This Report is confined to suggestions for control of the disease in mining communities, but the recommendations made are, in general, applicable to all parts of Canada.

Like other infectious diseases tuberculosis lends itself to preventive measures. In a report on Tuberculosis Control by J. V. Riches, B.A., M.D., C.M., (Ref. An Experiment in Tuberculosis Control, 1943) it is stated that:

"It is generally agreed among authorities of tuberculosis control and prevention that tuberculosis could be eliminated if every existing case could be discovered and hospitalized."

In Ontario partial provision is made under existing measures for the control of tuberculosis by the discovery of infected persons through the facilities of permanent and travelling X-ray clinics. The successful functioning of such clinics, to the end that all tuberculous persons may be discovered, is extremely difficult of attainment for reasons which need not be enumerated here.

Acting on the principle of the above quoted statement of Dr. Riches, the Town of Geraldton, in the Northern Ontario mining area of Little Long Lac, in the Fall of 1942, tried an experiment whereby every person resident in the town received an X-ray examination of the chest. The evidence before this Commission indicates that the

experiment was highly successful. All adults in the immediate district were X-rayed, excepting those employed by the mines for which provision had already been made, as well as children of school age suspected of tuberculosis infection. The mines of the district, the Tuberculosis Division of the Provincial Department of Health, the Red Cross Society, and the people of the district, co-operated with the town authorities to make possible the success of the experiment, at extremely low cost.

The results obtained more than justified the effort made. Out of a total of 1,429 persons examined, 26 were found to have pulmonary tuberculosis of which number the condition of 20, or 77%, had been previously unknown. In addition the X-ray survey revealed other conditions requiring medical attention in a number of cases.

This Commission believes that provision could and should be made for similar surveys by the Provincial Department of Health in all Northern Ontario mining and other districts, and that such surveys should be a first essential in any programme designed for the prevention and control of tuberculosis in Ontario.

The wartime movement of industrial workers and their families which, in all sections of the Province has created a new type of problem in the control of tuberculosis, due to the admixture in the tuberculosis controlled centres of individuals and families not previously checked by X-ray or Tuberculin test, is a problem which, in the mining areas, is a permanent one.

This complication of circumstances tends unquestionably to increase the incidence of the disease in mining communities, not only among grown ups, but more especially so among the children of the schools.

While voluntary organizations devoting themselves to prevention work through education, publicity, tuberculin tests, X-rays and medical examinations, are doing excellent work in mining communities throughout the Province, their efforts are very greatly hampered by the lack of sufficient financial resources. Whether in any future health measures on the part of the Provincial government, the work of tuberculosis prevention be conducted directly, or through, or in co-operation with the existing organizations (Canadian Tuberculosis or National Tuberculosis Association) is secondary in consideration, so long as this vitally important work of tuberculosis prevention and elimination for our population receives all the attention that it deserves.



**2. That provision be made by the Ontario Government for the care of indigent patients discharged from sanatoria for the treatment of tuberculosis, and that the establishment, financing and control of sheltered workshops or rehabilitation centres for such persons be made an essential part of any plan of Government sponsored and controlled tuberculosis therapy.**

The information before this Commission indicates that some mining municipalities have been put to considerable expense in providing after care for indigent patients discharged from Provincial sanatoria, who are unfitted to engage in remunerative occupations. It would appear to this Commission that the interest of the Province in providing for such persons should not terminate on their discharge from sanatoria, thus placing a financial burden on local communities, but should continue until they become rehabilitated.

Continued success in the prevention and treatment of tuberculosis will, it is believed, aggravate the existing problem of providing suitable employment for persons found physically incapable of the ordinary tasks in those areas of Northern Ontario where the chief industry is mining. This Commission is of the opinion that the Provincial Government should give prompt and adequate consideration to the need for and the establishment of rehabilitation centres to function as a part of any effective programme for the prevention and treatment of tuberculosis.

**3. That the Province establish and lead in a continued and definite programme of education that will bring home to the people of Ontario the fact that tuberculosis is a dangerous, widely spread infectious disease that can be controlled by known preventive measures, and that where such measures are applied, a successful and drastic reduction is being accomplished in the frequency and severity of the disease.**

This Commission believes that the making effective of any all embracing plan for the prevention and control of tuberculosis would be greatly facilitated by a well designed, continuous and Province wide programme of education, by teaching in the schools and by other methods, whereby the people would become conscious of the seriousness of the disease, and be made aware of preventive measures which can be successfully employed to control its ravages. A successful educational programme of this nature should result in co-operation by the people of the Province which would be difficult of attainment in any other manner. Such co-operation is of the utmost importance.

**4. That The Department of Health exercise rigid and active control of housing accommodation in mining communities, and that such communities be included in any Dominion or Provincial Government plans designed to provide low cost housing or home improvements.**

Control of  
Housing.

From the evidence before this Commission it is indicated that improper housing accommodation in Northern Ontario mining areas is an important contributing factor to the spread of disease. This condition is very evident in mining municipalities where there has been no active control in the matter of townsite planning. In this Report certain recommendations have been made dealing with townsite planning which, if made effective, would result in improved townsite layout, but it is felt that additional measures should be taken by the Department of Health for the control of housing accommodation after a townsite has been established, particularly in respect of crowding and unsanitary conditions which facilitate the spread of disease.

In mining municipalities also, ownership and improvement of homes, as well as the building of low rental suitable accommodation, should be encouraged. It would appear that, in general, and particularly in new mining communities, many persons have to accept unsuitable accommodation for themselves and dependents owing to the fact that they are financially unable to build their own homes, and to the lack of accommodation such as is ordinarily available in other centres of population. From the information before this Commission it is indicated that loan companies are generally adverse to financing the cost of housing accommodation in new mining communities, owing to the risk attendant in the development and life of such communities. It is also indicated that national or other low cost housing and improvement plans, effective in the more settled areas of Ontario, are not generally designed to include mining areas. This condition warrants serious consideration by the Provincial and Dominion Governments, and its correction would, in the opinion of this Commission, be an important forward step in any programme having as its objective the improvement of health conditions in Northern Ontario. At the same time such measures would tend to encourage residence in and the development of stable mining municipalities.

**5. That in unorganized mining districts where private hospitals have been established by the mining industry, or by other private interests, to supply the needs of employees, their dependents and others in the immediate vicinity of mining operations, and**

Care of  
Indigent  
Patients.

where such hospitals provide their facilities for indigent persons from outlying areas, the Province bear the hospitalization costs of such persons.

In some unorganized mining districts the mining industry has established and operates private hospitals for the purpose of serving its own employees and their dependents and other residents in the immediate area. Such hospitals are sometimes called upon to provide hospitalization for residents in a district extending far beyond the boundaries of the area intended to be served. An example of this condition is found in the private hospital operated by the mining companies in the Geraldton area at Little Long Lac, Ontario. Here, emergencies have arisen resulting in indigent patients from outlying areas receiving hospitalization at the expense of the private hospital as there appears to be no provision, under the Public Health Act, whereby the Province assumes such expense in unorganized districts when served by a private hospital. In the opinion of this Commission provision should be made for the Province to bear the cost of hospitalization of indigent persons, where the mining industry or a mining community is providing such service in remote and unorganized districts.

Establish  
Health  
Centres.

6.—(a) That provision be made by the Province for the establishment of health centres, with the necessary facilities for clinics and laboratories, to serve mining communities in Northern Ontario; that the location of such health centres be selected by The Department of Health, with due regard to the extent and character of the area to be served, and that they be under the control and active supervision of that Department operating through a medical health officer elected by and responsible to a board of health which shall be responsible to the Minister of The Department of Health for the whole of the defined area.

(b) That the above mentioned board of health shall be composed of the medical officers of health of the constituent divisions of the defined area.

The evidence before this Commission strongly indicates a need for the erection of Health Centres, to serve Northern Ontario organized and unorganized mining districts, which would be under the administration of the Department of Health and would have jurisdiction over all health measures in such districts.

Under existing conditions the health of unorganized mining districts would appear to be subject to remote control of the Department of Health, or the immediate

control of a Board of Health set up by a local municipality or community in such districts. Each local Board of Health generally has but a small portion of the whole area of a district under its supervision.

In some mining districts, for example that which embraces the City of Sudbury, the Townships of McKim, Neelon and Garson and the municipalities or communities of Copper Cliff, Whitefish, Creighton, Coniston, Wahnapiatae, Markstay and Falconbridge,—there are several local boards of health and medical health officers each having the responsibility for health measures in the particular area within the boundaries of their particular municipalities or communities. This condition tends to mitigate against co-ordinated planning and the making effective of preventive or other health measures for the whole district, and against the successful effectiveness of any such measures which might be adopted by any one municipality or community in the district.

It is the considered opinion of this Commission that in any mining district the administration of all health matters, particularly pertaining to communicable diseases, in the health of the whole district, should be co-ordinated by one authority under the active supervision of the Department of Health.

The proposed Health Centre should be under the immediate control of a Board of Health, the members of which should be the Medical Officers of Health of the constituent divisions included in the area to be served by the Health Centre. This Board should be responsible to the Minister of the Department of Health, and should elect a permanent Medical Officer of Health who shall be approved by the above mentioned Minister.

The erection of health centres in all mining districts of Northern Ontario should, in the opinion of this Commission, be promptly and seriously considered by the Government of Ontario, as a measure which will facilitate the prevention and control of infectious diseases and generally be instrumental in promoting the health of the people.

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From the information before this Commission it is indicated that the Government of Ontario is deeply engaged in a study of all-embracing plans of health insurance, the evolving of which will result in making provision for the solution of many of the local health problems of mining communities in Northern Ontario which have been submitted to this Commission for consideration. Such problems are many and varied depending upon location of the community and other local factors in



respect of population, water supply, sewage disposal, hospital and other facilities, and in many cases their solution lies in adequate municipal financing.

**Health Units** In the current year the Government of Ontario has enacted legislation, known as the Public Health Amendment Act, 1944, under which provision is made for the erection of a "Health Unit" in any municipality or association of municipalities, when desired by such municipalities. Interpretation of this Act indicates that the function of the Health Unit would be primarily to provide medical services where the need for such services exists. Also, in the current year, legislation was enacted known as the Municipal Health Services Act, 1944, under which provision is made for the establishment of a plan of municipal health services, on agreement by a municipality or between municipalities, with any such plan to be approved by the Lieutenant-Governor-in-Council. Any proposed plan for such services must be approved by vote taken in the municipalities, and provision is made for levying of taxes to contribute to the cost of such plan. An Ontario Municipal Health Services Board has been set up with wide powers to enter into an agreement with municipalities, or with persons or organizations in any municipality which has entered into an agreement with the municipality. Provision is made for annual or other contributions by the Provincial Government to a municipality to assist in the cost of municipal health measures, and for the alteration or termination of such services.

The legislative action briefly referred to above, and more fully described in the above mentioned Acts, is, in the opinion of this Commission, a definitely forward step, but unless capable of some wider interpretation than appears to be generally accepted, it would not appear to go far enough in making provision for preventive and other measures, in the interests of public health, as differentiated from provision for medical services. The legislation has been described as being of a "permissive" nature, i.e., its making effective is left to the desire or willingness of municipalities to enter into and bear that portion of the cost of health measures which they can provide through municipal taxation. It would appear, that while such legislation would do much to solve many of the local problems of municipalities, there should be more far reaching legislation designed primarily for providing preventive and control measures, originating within the government, in the interests of the public health of the Province.

The trend of studies dealing with health in this Province is being directed in an increasing degree towards preventive measures, rather than those designed for the purpose of correcting health conditions, resulting from inadequate provision for prevention. This Commission strongly endorses sound preventive plans which, it believes, will result in very materially reducing the necessity of measures designed for the purpose of providing facilities for the treatment and care of persons, whose usefulness in a community has been temporarily or permanently impaired by the ravages of disease. For this reason, recommendations dealing with health measures in this Report have been largely confined to the making of provision for "prevention" rather than "cure".

**Health in Mining Industry**      The evidence before this Commission indicates that the health and safety of employees in the mining industry of this Province has, for many years, been the subject of deep and continued concern of the Provincial Government and the industry. Under the Public Health Act and Regulations, the Workmen's Compensation Act, and the Mining Act of Ontario, legislation which protects the health and safety of mine employees has been of such a satisfactory nature as to be largely adopted by other provinces. Constant progress in the prevention of accidents has resulted in the Province leading all other provinces of the Dominion in these essential requirements.

The evidence also indicates, that throughout the Province generally, the mining industry has voluntarily exceeded the minimum legislative requirements pertaining to the safety and general well being of its employees. While employees are eligible to receive all the benefits of national and provincial social legislation, which has general application, the industry has, with the co-operation of employees, developed and made effective medical plans for the benefit of its employees and dependents, and other plans of life, sickness and accident insurance, which are proving of inestimable value to employees, the industry and the Province. It is also indicated that constant consideration is being given to the improvement of such plans.

The outstanding contribution which the mining industry has made to the prevention and control of the industrial diseases silicosis, and the social disease tuberculosis, is recognized by this Commission. The evidence indicates that the costly and continued research instigated and continued by the industry, in the aluminum powder treatment of silicosis, has attained results which will be of great benefit to those employed in the mining industry, not only in this Province and the Dominion, but to employees of the industry throughout the world, and to those in all other industries where the hazard of silicosis exists. This Commission feels that the contribution made by the mining industry of this Province to this all important problem of disease prevention, is deserving of the widest recognition and the highest commendation.

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**Workmen's Compensation Act**      Under the Workmen's Compensation Act of Ontario, the medical treatment of, the provision of compensation for, and the rehabilitation of industrial casualties is provided for in a manner that has resulted in the Act becoming a model for compensation developments throughout Canada and the United States.

From the information before this Commission it is indicated that the Act has proved highly satisfactory in principle and administration. It was designed, after long study of existing laws and administrations in other countries, by men peculiarly qualified to make such study. Outstanding among the basic principles of the Act are:

(a) Acceptance of the principle that there should be a complete break from common law theory and court methods in compensation practice, and that administration should be completely divorced from the delays of court procedure and appeals, and from legislative control of expenditures.

(b) Workmen's compensation should take care of industrial diseases and accident injuries only, and should not include provisions for social aid, unemployment, or general health.

The administration of the Workmen's Compensation Act has been carefully designed. It is of such importance to the people of the Province that this Commission feels any changes in the Act or its administration should involve serious and skillful consideration, and that continuity in experienced personnel of the administrative authority should be a primary consideration. For these reasons the following recommendations are made.

(a) That no changes should be made in the Act excepting after examination into the proposals by a judicial commissioner to be appointed for the purpose.

(b) That schedules of the Act be made a part of the Act itself and not subject to amendments except after enquiry as above.

(c) That members of the Board appointed to administer the Act be appointed for a fixed period of years and appointments made, in so far as possible, so that the terms are staggered thus insuring continuity of experience.

(d) That appointees to the Board should be chosen on the basis of integrity, experience in industry, and, if possible, in compensation matters.

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**Conclusion** This Commission makes no recommendations for amendments to specific measures under existing legislation dealing with the health and safety of employees in the mining industry, but strongly recommends that there be no lessening in the combined efforts of employer and employee to maintain and improve wherever possible the high standards of protection which have been established through continued co-operation.

Dated at Toronto, Ontario,  
September 6th, 1944.

## PART VII

### THE PLACE OF MINING IN POST-WAR EMPLOYMENT

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#### TABLE OF CONTENTS

	PAGE
<b>The Place of Mining in Post-war Employment.....</b>	<b>19</b>
<b>Recommendations:</b>	
Sound Tax Structure Essential.....	19
Effect of Unsound Taxation.....	19
Priorities for Mine Development.....	21
Liquidation of Base Metal Stocks and Strategic Minerals.....	21
Sound and Constructive Legislation Governing Mine Financing	22
Stimulation of Prospecting.....	23
Financing Mining Municipalities.....	24
Air Transportation.....	24
Educational Policies.....	25
<b>Conclusion.....</b>	<b>26</b>





## PART VII

### THE PLACE OF MINING IN POST-WAR EMPLOYMENT

#### Recommendations:

1. That the Government of Ontario, the mining industry and the people of the Province make the strongest possible representation to the Dominion Government to have that Government in co-operation with the Province, and the Governments of and the industry in other provinces, evolve a sound tax structure for the mining industry, as recommended in Part III of this Report, in order that incentive may be restored for the continued development of the industry.

Sound Tax  
Structure  
Essential.

The problem of post war employment in the mining industry in this Province does not readily lend itself to any precise mathematical solution, owing to the many involved and presently unknown factors which cannot be exactly determined. There is, however, one governing factor or requirement essential to any solution, i.e., that employment will always be in direct ratio to the success of the industry in all its phases.

Effect of  
Unsound  
Taxation.

In this Report, and the briefs accompanying same, it has been clearly demonstrated that the incidence of ill-conceived measures of taxation has resulted in reducing the mining industry from a position of sound progress to one depending largely on the salvage of limited and exhaustible, previously developed resources. No industry can be logically expected to play any important part in providing future employment under such conditions.

The component parts of the mining industry are individual mines on the average economic success of which must depend that of the whole industry. The records show, that in the history of metal mining in this Province, less than 1 per cent of all incorporations for the purpose of pursuing the activities of metal mining can be rated as being economically successful. The evidence indicates that the ordinary unpreventable hazards of the industry account in large measure for this record, but, particularly in the past fifteen years, including a ten year period prior to the emergency of the present war, it also indicates that measures deriving from preventable and unsound taxation policies must bear a large part of the responsibility for the unenviable present

condition of the industry, and for the crisis which has been reached in respect of its future progress.

The evidence before this Commission indicates that, as of June 1943, the operating gold mines in Ontario could and would employ, on a gradually increasing scale, some 5,460 men within twelve months after the cessation of hostilities. Such employment would, however, be dependent upon the availability of necessary equipment, and upon the inducement, evolving from a policy of sound taxation, to proceed with development of properties.

During the man-power shortage, and due to other conditions occasioned by the present war producing gold mines in Ontario have maintained production largely from ore resources developed prior to the war. Little in the way of development of new reserves for production requirements has been possible. For this reason, the producing mines will be unable to absorb the above mentioned number of persons in employment immediately after the cessation of hostilities, but can only do so gradually following resumption of development activities.

As previously mentioned in this Report, it is estimated that for every person directly employed in mining a minimum of twelve additional persons receive direct or indirect support. This would indicate that the above referred to operating mines could, within a period of twelve months after the conclusion of the present war, furnish support for a minimum additional total of some 65,000 persons. This figure is, however, subject to material reduction due to the fact that dependents of a considerable number of those persons for whom direct employment would be available, are presently being supported through war measures which provide for such dependents. This condition could reduce the above total of 65,000 persons to 35,000—40,000.

This Commission cannot determine the number of persons who would be directly employed by those mines which, through shortage of man power and other factors, were forced to suspend operations in the period since the start of the war to June, 1943, and will, conditions permitting, resume operations after the war, but believes that the resumption of such operations would very materially increase the above mentioned total number of persons deriving support from the industry.

Also, there is the undeterminable factor of the number of new gold mining operations which would be started, or long dormant activities resumed, depending upon conditions chief among which would be the action taken

by governments to encourage and facilitate the development of mineral resources. While this Commission cannot assume the responsibility for predicting the extent of employment which might develop under such conditions, it is satisfied that assurance of soundness and stability in taxation policies would do much to promote the development of new mining operations, which would be of outstanding importance in providing employment in the post war years.

In the Introductory to this Report reference is made to indirect employment stemming from the metal mining industry of this Province. It has been estimated that, in 1941, with the industry directly employing over 33,000 persons, a further 450,000, or more than 11% of the population of the Province, would be normally dependent upon the industry for their livelihood. This ratio has been upset by war time restrictions on equipment and supplies available to the industry but should recover its balance shortly after the conclusion of hostilities. As previously stated in this Report, the number of persons which can be absorbed in employment by the mining industry is governed by the success of that industry, and this is a condition which can be assured by a readily evolved, sound, overall taxation structure.

**2. That consideration be given to the allocation of the highest possible priorities in order that the necessary men and materials be made available for the mine development necessary to provide the fullest employment for men returning from the Armed Forces.**

Priorities  
for Mine  
Develop-  
ment.

This recommendation is complementary to that immediately preceding.

**3. That the Province of Ontario in co-operation with the Dominion and other governments, participate in a well designed plan for the liquidation of government controlled stocks of base metals, and strategic minerals and in alleviating the condition which may develop through the cessation of Government buying of such metals and minerals.**

Liquidation  
of Stocks of  
Base Metal  
and  
Strategic  
Minerals.

Consideration of post war employment by mines which produce base or industrial metals or minerals presents a problem differing considerably from that concerned with gold mining. During the war period base metal mines have been operating at peak capacity. The greatest possible production has been demanded, and its distribution controlled by governments, for the purpose of prosecuting the war. It would, at present, appear unlikely, that when the demand for war metals



ceases or becomes greatly diminished, industrial or domestic demand will immediately require continued peak production. Also, it is indicated that the cessation of hostilities will witness large government controlled stocks of metal on hand, for which an outlet will have to be found. In addition, there will undoubtedly be a large accumulation of scrap metal hanging over the markets for new production. This condition will necessitate a wise and orderly process of liquidation provided the new production from base metal mines is to be maintained at an economic level.

One cannot predict the requirements in metals for the rehabilitation of Europe, and Asia, nor those of industry on this Continent. In the opinion of this Commission, however, it can be reasonably assumed that the demand for metals for such rehabilitation, and for normal industrial and domestic needs, will be of such a nature, that, with orderly and controlled liquidation of metal on hand at the close of the war, there should be a minimum of disturbance in the base metal mining industry, with the result that employment should be maintained at a high level.

While employment in the base metal mining industry of this Province may be temporarily affected by some decrease in production immediately after the war, there are favourable factors of considerable importance. Among these is the recognized fact, that producing base metal mines have been depleting developed ore resources at an unprecedented and uneconomic rate to satisfy the demand for war metals. It is indicated that large development programmes will be necessary to replenish depleted ore resources. Such programmes should furnish considerable employment to partially offset any decrease resulting from lower production.

Also, in this Province potential tonnages of new iron ore resources are being prepared for development and production with indications that this new development may expand rapidly in the immediate post war years, and be a source of greatly increased employment. The proper utilization of these iron ore resources could result in the establishment of new, or the expansion of existing operations in industries dependent upon the production of iron ore.

Sound and  
Constructive  
Legislation  
Governing  
Mine  
Financing.

**4. That the Province take immediate steps to remove unsound restrictive legislation in respect of mine financing which tends to discourage prospecting activity and the development of new mines, and to enact sound legislation that will eliminate unscrupulous**

**organizations and individuals from mine financing activities, as recommended in Part II of this Report.**

Unsound legislation in the matter of financing the exploration for, and development of new mines which, through restrictive measures, tends to destroy the incentive for prospecting, or permits unscrupulous persons to prey upon the mining industry is, in the opinion of this Commission, definitely detrimental to employment in the industry.

The evidence before this Commission indicates, that, under existing legislation and its administration, the prospector has his normal rights, in the matter of disposal of his property so restricted, that the incentive to risk the hazards of acquiring such property has been greatly reduced. Prospecting for new mineral resources is essential to the success of the mining industry, and, therefore, essential to employment in the industry. Without prospecting there can be no new mines, and without new mines there cannot be the employment which such mines create.

Encouragement of the prospector by the removal of existing restrictive legislation, as recommended in Part II of this Report is, in the opinion of this Commission, one of the main essentials which must be included in any plan having as its objective the establishment of a successful and stable mining industry.

Fraudulent practices in the financing of new mining developments divert speculative monies, essential to a successful mining industry, into the pockets of persons having little if any interest in the sound progress of the industry, or its attendant benefits to employment. They also tend to discourage public support of the industry and to destroy confidence in same. As long as such practices are permitted they will unfavourably influence the development of stable employment in the mining industry.

**5. That the recommendations in Part I of this Report dealing with, The Necessity for and Methods of Stimulating Prospecting in Ontario, be adopted and made effective without unnecessary delay.**

Stimulation  
of  
Prospecting.

In Part I of this Report certain recommendations are made for the stimulating of prospecting in Ontario. These include the construction of roads into mineral areas. The information before this Commission indicates the need for such roads. A well designed programme for such construction could play a useful part in furnishing employment to many persons in the im-

mediate post war period. It is reasonable to expect also, that the completion of such roads would lead to increased mining activity in the areas served, and this, in turn, would be a factor of considerable importance in the creating of new employment. This Commission recommends that no time be lost in designing a comprehensive programme of road construction in mineral areas, in order that such work be started as soon as conditions permit. In this, the Province should seek the co-operation and assistance of the Dominion Government.

Other recommendations in Part I of this Report which, it is believed, would be a factor in creating post war employment, include that made for allowance in Dominion taxation for the cost of outside exploration by mining companies. This would encourage immediate employment in such activity, and, similar to independent prospecting activities, could lead to the development of new mines with their attendant contribution to employment. The recommendation made for greatly increased geological and other surveys and researches would, if adopted, open new fields to the prospector.

Financing  
Mining  
Municipalities.

#### **6. That the financing of mining municipalities be provided for as recommended in Part IV of this Report.**

Mining Municipalities are an essential part of the mining industry. A soundly financed, thriving municipality creates employment of many different kinds, including that provided by business establishments, and municipal and other services common to all municipalities. The employment benefits deriving from a prosperous municipality are not confined to the area within its boundaries, but generally extend into surrounding areas and encourage settlement and industry for the purpose of providing for the needs of the municipality.

It is concluded, therefore, that soundly financed mining municipalities could and would contribute in a substantial manner towards post war employment in this Province.

In this connection it must be remembered that construction work in mining communities must have regard to the fact that such municipalities are, of necessity, temporary, and largely dependent on the productive life of the mines. Consequently, construction programmes must be considered in a manner differing from that of more permanent municipalities.

Air Transportation.

#### **7. That the Province give serious consideration to the effect of the increasing control by the Dominion Government of air transportation with a view to determining**

**its effect on the exploration and development of mineral resources in Ontario.**

This Commission views with some alarm the indications of increasing control of air transport facilities by the Dominion Government, in so far as such control may affect the development of mineral resources of this Province, and indeed all other provinces. It is possible that such control may be modified when the air transport requirements for war purposes no longer exist, but it would appear advisable to obtain some assurance of this in order that the exploration and development of mineral resources be not hampered or retarded in the post war years. Any such influence would, in the opinion of this Commission, be detrimental to post war progress of the industry, and therefore detrimental to employment which it might provide.

Many potential and proven mineral areas can best be reached or served by air transport. In the pre-war years such transport played an important part in the exploration and servicing of mineral areas, and, in the post war years, it should assume much greater importance. The needs of the mining industry, in the matter of air transportation, vary greatly depending upon factors of time, cost, location of properties to be served, and requirements of operations. Such needs are generally best provided for under conditions of competition in respect of providing air transport, and under conditions where flying times can be arranged to suit the individual interest without unnecessary interference with schedules designed primarily for the public interest.

It would seem, therefor, that the Government of this Province, and the mining industry, should co-operate in an early study and consideration of the effect of any monopolistic control of air transportation in Ontario on the development of mineral resources, with a view to preventing a condition which might be difficult of correction at some later date. There would appear to be indications now of increased cost and inconvenience to the mining industry through the air transport controls already established.

**8. That the recommendations and suggestions in Part V of this Report dealing with educational policies be adopted and made effective as promptly as possible.** Educational Policies.

The effects of sound educational policies on post war employment are self evident.



**Conclusion:** It is the conclusion of this Commission that, provided the opportunities for the development of mineral resources of this Province are utilized to the fullest extent, the mining industry will not only provide means of year round employment in the post war years equal to those of pre-war years, but will continue its now retarded progress to far greater achievement.

Dated at Toronto, Ontario,  
September 6th, 1944.







ONTARIO

**REPORT**  
of the  
**ROYAL ONTARIO**  
**MINING COMMISSION**  
**1944**

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**PART VIII**

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- I. HIGH GRADING IN ONTARIO MINES.
- II. PROPOSED CHANGES IN EXTRADITION  
TREATY BETWEEN THE UNITED STATES  
AND CANADA.
- III. ONTARIO SUCCESSION DUTY.
- IV. PRODUCTION OF COBALT ORES AND CON-  
CENTRATES IN ONTARIO.





## PART VIII

### Chapter I

#### HIGH GRADING IN ONTARIO MINES

#### TABLE OF CONTENTS

##### Recommendations:

	PAGE
Appoint Commission.....	1
Traffic in Stolen Gold.....	1
Powers of Investigation.....	2
Seizure of Gold.....	2
Disposal of Seized Gold.....	2
Assistance of Police.....	3
Engage Staff.....	3
Arrangements with Authorities Outside Province.....	3



## PART VIII

### CHAPTER I

#### HIGH-GRADING IN ONTARIO MINES

##### Recommendations:

1.—(a) That legislation be enacted by the Province of Ontario to provide for the setting up of a Commission of three men, or some similar authority, by The Lieutenant-Governor-in-Council, responsible to the proper Government Department, for the investigation and prosecution of persons engaged in the high-grade traffic.

Appoint  
Com-  
mission.

(b) That a permanent full time chairman or head of such Commission or authority be approved of by the Attorney-General and appointed by the Lieutenant-Governor-in-Council, and shall be qualified through experience for the work of the Commission and paid a salary commensurate with his responsibilities.

(c) That one member of the Commission shall be a representative of the Ontario mining industry and that the third member shall be the Commissioner of Provincial Police.

Information before this Commission indicates that the traffic in high-grading, or theft of gold from mines in Ontario, has developed to serious proportions, and that there is the need of some properly constituted government authority which will be responsible for the elimination of this traffic. From available information it is indicated that gold to the value of some \$3,500,000 has been definitely tabulated as stolen from the mines in this Province during the period 1936 to 1943, and that since 1940 to the end of 1943 approximately \$1,500,000 in stolen gold has left Canada for disposal in the United States. The evidence indicates that the business of high-grading in Ontario is conducted by a well organized group having their agents, operators and collectors in the mining areas and urban centres.

Traffic in  
Stolen  
Gold.

In 1925 an Order-in-Council was approved by the Lieutenant-Governor of Ontario, whereby a High Grade Committee was appointed by the gold mining industry, after approval of the Attorney General. This Committee has engaged in investigations of the high-grading



traffic in Ontario and has been instrumental in obtaining information which has led to some seizures of stolen gold. It has also obtained much information regarding the activities of persons engaged in the traffic.

The functioning of this High Grade Committee, to the end that the traffic be eliminated, has been seriously hampered by its lack of authority to fully investigate and police persons believed to be engaged in the business of high-grading. For this reason this Commission has recommended the enactment of legislation which will make provision for a properly constituted government authority for the purpose of eliminating high-grading in Ontario and believes, that given the suggested powers, such authority would, within a reasonable period, discourage persons from engaging in this business.

Powers of  
Investi-  
gation.

**2. That the proposed Commission be given full powers of investigation under the proposed legislation in all matters pertaining to high-grading in Ontario, and to institute court proceedings against persons when such investigation supports same.**

No comment necessary.

Seizure of  
Gold.

**3. That gold, or gold bearing ores or substances containing gold, or other precious metals seized within the Province, which cannot be identified as coming from any particular source, be credited to a fund which shall be under the control of the Commission appointed under the proposed legislation, subject, however, to its eventual ownership by the Province.**

Disposal  
of Seized  
Gold.

This recommendation provides for the setting up of a fund to which would accrue the amount obtained from all sales of gold or other precious metals seized, excepting where the original ownership of such metals can be definitely established, in which cases they or their equivalent value would be turned over to the original owner.

This fund would be under the active control of the proposed Commission in trust for the Province, and could be employed to contribute to the cost of all activities of or originated by the Commission.

The traffic in stolen gold is of interest not only to the mining industry, but to the Government of this Province. It is estimated that the present annual value of gold stolen from Ontario mines approximates \$1,000,000. Were this amount recovered, and where its original ownership cannot be clearly proven, it would become the property of the Government. Provided the traffic were eliminated there would then be this additional

\$1,000,000 annual income to the mines assessable for taxation by the Provincial and Dominion Governments.

4. That the Commission shall have available to it, <sup>Assistance of Police.</sup> and shall have authority under the proposed legislation to call for the assistance of any Provincial and Municipal Police within the Province.

For the proper functioning, at all times, of any authority established for the discouragement of high-grading in Ontario, it is believed that provision should be made for powers of enlisting the services of Provincial and Municipal police at the discretion of the appointed authority.

5. That the Commission shall have power to engage <sup>Engage Staff.</sup> such regular and special staff as it may require for its proper functioning.

No comment necessary.

6. That, under the proposed legislation, the Commission have the power to negotiate any inter-provincial arrangements, and, through the Dominion Government, any international arrangements, which will result in the more effective control of high-grading in this Province. <sup>Arrangements with Authorities Outside Province.</sup>

The information before this Commission indicates that while the source of stolen gold or precious metals may be the mines of this Province, the business of trafficking such material is frequently facilitated or consummated by operators or agents in another Province or in the United States. It is also indicated that stolen gold is more easily recovered, and the offending parties more readily apprehended, where investigation starts at the point of disposal, or on the road to same, rather than at the source.

For these reasons it is believed that a properly constituted government authority in Ontario would serve to better advantage, in respect of co-operation with other governments, for the purpose of eliminating the high-grading traffic, than would any privately established organization even though such body were approved by the Provincial Government.



PART VIII

Chapter II

PROPOSED CHANGES IN EXTRADITION TREATY BETWEEN  
THE UNITED STATES AND CANADA

TABLE OF CONTENTS

Recommendation:

	PAGE
Oppose Changes in Extradition Treaty.....	7





## PART VIII

### CHAPTER II

#### PROPOSED CHANGES IN EXTRADITION TREATY BETWEEN THE UNITED STATES AND CANADA

##### Recommendation:

That the Government of Ontario vigorously oppose proposed changes in the Extradition Treaty, between the United States and Canada, which would make Canadians liable to arrest, deportation and trial in the United States for infraction of State or Federal regulations, relative to securities sales practices which are legal in this Province and the Dominion, and for infraction of regulations under United States Laws concerning which there is no general knowledge in this Country.

Oppose  
Changes in  
Extradition  
Treaty.

From the information before this Commission it is indicated, that as a result of conditions developing in Ontario, in respect of the methods employed in the sale of securities in the United States by residents of this Province, pressure has been brought to bear on the Dominion Government for changes in the Extradition Treaty which, if effected, would result in making citizens resident in this country liable for arrest, deportation, and trial before courts in the United States, for infractions of state and other laws of which such persons have no reason for having any knowledge. The proposed changes would involve similar liability for persons in Canada engaged in practices the legality of which is not open to question, under Provincial or Dominion statutes dealing with the sale of securities.

In Part II of this Report certain recommendations are made for the purpose of improving and making more effective existing legislation pertaining to the control of sale of securities in Ontario. This Commission believes that the adoption of these recommendations, with their active and prompt application, will largely correct the condition which led to the proposed changes in the Extradition Treaty between the United States and Canada.

Financing of mine development in Canada by United States capital has been an important factor in the progress of the mining industry. This Commission believes, that encouragement of such participation, in the develop-

ment of mineral resources in this country should continue on a sound basis. Many shareholders in Canadian mining companies are citizens of and resident in the United States, and should be regularly but properly informed concerning mineral developments in this country, and of the possibilities for financial participation in their development.

For the reasons herewith presented this Commission has concluded, that suggested changes in the Extradition Treaty, which would result in making citizens resident in this country subject to a multiplicity of unknown regulations of another country, or subject to trial in the United States for criminal offences unrecognized as such in Canada, should be rigorously opposed by the Government of this Province, which has such vital interest in the sound and continued development of mineral resources within its boundaries.

## PART VIII

### Chapter III

#### ONTARIO SUCCESSION DUTY

#### TABLE OF CONTENTS

##### Recommendation:

	PAGE
Government Consideration of Succession Duties.....	11



## PART VIII

### CHAPTER III

#### ONTARIO SUCCESSION DUTY

##### Recommendation:

That the Government of Ontario give prompt and serious consideration to the whole matter of assessment for Succession Duties, and particular consideration to the method of assessing estates which include securities of Canadian mining companies, in order that existing multiplication of assessment may be avoided as between the Dominion and Provinces and other countries.

Government  
Consideration  
of  
Succession  
Duties.

The evidence before this Commission indicates, that substantial sums of money for investment in the development of mineral resources in this Province have been withheld, due to the liability for multiple Succession Duties.





## PART VIII

### Chapter IV

#### PRODUCTION OF COBALT ORES AND CONCENTRATES IN ONTARIO

#### TABLE OF CONTENTS

	PAGE
Problem of Continued Cobalt Production.....	15
Cancellation of Government Purchasing Contracts.....	15
Need for Markets.....	15
Production from Northern Ontario.....	16
Existing Markets.....	16
African Cobalt Residues.....	16
Purchases and Production by Deloro Smelting & Refining Company.....	17
Existing Supplies of Cobalt.....	17
Higher Return for Silver.....	18
Suggestions and Conclusions.....	18



## PART VIII

### CHAPTER IV

#### PRODUCTION OF COBALT ORES AND CONCENTRATES IN ONTARIO

**Problem of Continued Cobalt Production** From the evidence before this Commission it is indicated that producers of cobalt ores and concentrates in Northern Ontario are faced with a serious problem in respect of their ability to continue economic production, due to lack of assured markets for their products. This problem affects not only the present or potential producers, but is of vital importance to the municipalities and communities in the entire Temiskaming silver-cobalt area lying between Gowganda and South Lorrain, and, more particularly, to the Municipality of the Town of Cobalt, and the Townships of Coleman and South Lorrain.

**Cancellation of Government Purchasing Contracts** The problem has been created through the termination, as of February 22, 1944, of contracts arranged by the Dominion Metals Controller, under which the ores and concentrates produced in the area were purchased by the Metals Reserve Company, incorporated for war purposes by the United States Government, through a Canadian Government subsidiary known as War Supplies Limited. Government contracts for the purchase of Ontario cobalt production were entered into as of April 1st, 1942, and continued to the above date.

This termination of contracts, according to the available information, resulted from the building up by the Canadian and United States Governments of sufficient supplies of cobalt, in stocks on hand, as ore, residues and concentrates, to take care of all possible war demands for this continent. Similarly, the situation was equally provided for in the United Kingdom.

With the termination of these government contracts the market for Ontario producers of cobalt ores and concentrates was so reduced as to render the outlook for continued production extremely hazardous, and to imperil the livelihood of affected persons in the producing areas.

**Need for Markets** One naturally seeks for the solution of the problem in the markets for production which existed prior to the government purchases. Investigation shows, however, the almost complete absence of such markets at the present time. This is due to a number of factors which will not be detailed in this Report, but include, particularly, contracted for supplies of cobalt residues from African producers, and the presence of comparatively large stock piles of cobalt containing ores, concentrates and residues on hand and available to those companies in Canada and the United States, which would ordinarily be expected to comprise the market for Ontario cobalt production.

**Production from Northern Ontario** For the purpose of this Report a detailed survey of Northern Ontario as a producer of silver, cobalt and other attendant metals is not considered essential. Briefly, production started in 1904, and, to the end of 1942, had a total value of \$301,482,807, of which \$260,823,700 was attributed to silver and \$32,074,841 accounted for by the value of cobalt produced. Of the remaining value \$6,281,572 was attributed to arsenic and \$1,768,189 to nickel.

Peak production was reached in 1911 with a gradual falling off until 1918, when, following the break in the price of silver, production was drastically reduced. By 1940 production was concentrated largely on cobalt. In 1943 production of cobalt ores and concentrates approximated 1500 tons, valued at \$300,000, practically the whole of which was purchased by the Metals Reserve Company mentioned above.

**Existing Markets** In Canada, at present, there is only one company which purchases and processes cobalt ores and concentrates for their cobalt content, i.e., the Deloro Smelting and Refining Company, located at Deloro in Ontario. In the United States there are five cobalt refineries of which four are designed to process African cobalt residues, and the fifth, i.e., Shepherd Chemical Company of Cincinnati, Ohio, purchases only small quantities of the arsenical cobalt ores produced in Ontario.

**African Cobalt Residues** Information before this Commission indicates, that at the outbreak of hostilities in Europe, in September, 1939, it became apparent that the precarious situation of cobalt refineries in Europe might interfere with the supply of cobalt required by the Allied Governments for war purposes. After surveying the immediate cobalt production possibilities of Northern Ontario, and apparently finding that adequate assured supplies were not available, arrangements were made whereby cobalt-residues from Africa, formerly refined in Europe, would be refined at Deloro. A contract was entered into between Deloro and the African producers for refining of these cobalt residues on a toll basis. This necessitated the erection by Deloro of a new plant, as that employed for the treatment of ores and concentrates from Northern Ontario was not adaptable to the African product. The cobalt residues from Africa contain no appreciable amounts of arsenic and have a high copper content, while Northern Ontario ores have a high arsenic content and contain negligible amounts of copper.

This plant was completed and brought into production early in 1940. In the meantime Deloro Smelting and Refining Company continued to purchase ores and concentrates from Northern Ontario. The available production from this source was, however, not sufficient to allow for the economic, continuous operation of the original plant. Consequently, Deloro adapted its whole operation to the production of cobalt metal and products from the African residues. Under this changed operation the production of cobalt by the refinery increased to an average of 60 tons per month, as compared with total possible production from indicated and available ores and concentrates of Northern Ontario of not



over 15 tons per month. In this connection it might be noted that Northern Ontario production averages approximately 10% cobalt content whereas the African residues treated by Deloro average 40-44% cobalt. This has an important bearing on refining costs and losses in process.

**Purchases and  
Production  
by Deloro**

Deloro Smelting and Refining Company, at the request of the Dominion Metals Controller, continued to purchase cobalt ores and concentrates from Northern Ontario producers until April 1st, 1942, when the contracts for purchases by Metals Reserve Company were entered into with these producers. Under this latter arrangement Deloro acted as purchasing agent, under direction of the Metals Controller, and stock piled some 476,916 pounds of cobalt in ores and concentrates. In addition, during the period December 31st, 1939 to April 1st, 1942, the Company added to its reserves of cobalt, by the purchase of Northern Ontario ores, a further 484,823 pounds for a total of 961,739 pounds. It might be noted also, that according to available data, production of cobalt in refined form by Deloro Refining and Smelting Company during the period April 1st, 1942 to December 31st, 1943 was 2,270,724 pounds compared with the above mentioned 476,916 pounds representing purchases of ores and concentrates from Northern Ontario during that period. From this it is concluded, that the production of cobalt, made available from Northern Ontario ores was only 21% of the demanded production capacity of Deloro, and was, therefore, far short of requirements of the Allied Nations.

**Existing  
Supplies  
of Cobalt**

The indicated net result of the above arrangements is, that Deloro now has on hand approximately 1,000,000 pounds of cobalt metal in ores and concentrates from Northern Ontario. This is equivalent to over three years output from the cobalt producing areas at the 1943 production rate. Deloro is under contract until at least the end of 1945 to refine African residues which will keep its operations at capacity, and can offer no assured market for the additional ores which might evolve from continued production from Northern Ontario. In other words, there is indicated a large surplus of cobalt now available in present stocks of ores, concentrates and residues and those contracted for.

This Commission is convinced of the fact, that the Government of this Province is keenly aware of the condition which has developed in respect of production of cobalt from Northern Ontario, and its indicated effect on the people in that Area, and that every consideration is being given to a sound solution of the problem. This is illustrated by the recent proposal whereby the Province agreed to arrange bank loans where necessary, to Ontario producers of cobalt ores and concentrates with cobalt content from 8 to 10% and over, up to 50 cents per pound of cobalt metal in such products depending upon grade, with such loans to bear interest not to exceed 4%, and with no other security, in respect of repayment of principal of such loans, than the ore or concentrates pledged as security by the borrower.

It has been suggested that the Government of Ontario guarantee bank loans against cobalt production. This, in effect, would amount to subsidizing production,—a policy which this Commission believes should be avoided wherever possible. While such a policy might relieve the immediate situation its ultimate effect, if continued, might not attain the desired objectives. There is, at present, no visible assurance of the price of cobalt continuing at the high level engendered by the emergency of war. Rather are there indications, that, unless some new employment is found for cobalt in peace-time industry, the available supplies of the metal will result in a very appreciable drop in its selling price to a level which would prohibit production from the cobalt producing areas of this Province.

**Higher Return for Silver** Consideration has been given by this Commission to suggested arrangements whereby, provided the above mentioned refinery in Ontario continued to purchase cobalt ores and concentrates, producers would receive greater return for the silver content of such products, when such content is under 500 ounces per ton. Consideration has also been given to suggestions of payment for other metals associated with cobalt in such ores. These suggestions are all based on the assumption that markets are available for the ores for their cobalt content, but where such markets are not available, greater return for the value of the metals accompanying cobalt, and only recoverable during the process of extracting the principle value of the ore, would appear to offer no solution of the larger problem.

**Suggestions and Conclusions** In view of the conditions briefly outlined here, this Commission makes no specific recommendation for additional relief for the producers of cobalt in Ontario. Rather does it suggest that the known facts be faced, and, that, in seeking a solution of the problem, attention be directed to research which may result in finding greater industrial uses for cobalt. At the same time it is suggested, that while the presently proposed loans by banks to producers of cobalt ores may enable some producers to continue operations for an indefinite period, during which new markets may develop, such loans hold no promise of a permanent solution of the economic problems of the people of the cobalt producing areas.

This Commission has due regard to the possibilities of changed conditions in respect of markets for the cobalt ores and concentrates of Northern Ontario. It also recognizes the future possibilities of the presently cobalt producing areas again becoming important as producers of silver. It is, however, concerned primarily with the alleviation of a present crisis and cannot logically recommend emergency measures to temporarily relieve a condition, unless there are some reasonable indications, that, by so doing, an eventual permanent cure will be effected.

From the information before this Commission it is indicated that the Provincial Government, in co-operation with the affected municipalities and communities, should give consideration to other arrangements in order that provision be made for the continued livelihood of that portion of the population of the cobalt producing areas in Northern Ontario, affected by the condition which has developed.

For the purposes of national defense, it may be deemed advisable to make some provision for a complete survey of the cobalt production possibilities of Northern Ontario. In the present war, shipments of cobalt residues from Africa might have been seriously interfered with by enemy action, and such a condition could develop at some future date. This might lead to an emergency necessitating quick production from Ontario deposits. This Commission feels that this matter is one for consideration by the Dominion authorities rather than the Provincial.

Dated at Toronto, Ontario,  
September 6th, 1944.





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